Austria ... Sch. 22	Indonesia .. Rp 3100	Philippines . Pes. 20
Bahrain .. Din.0.650	Israel .... IS 3.50	Portugal .. Esc 100
Belgium ... BFr.48	Italy ...... L 1600	S. Arabia .. Rls 6.00
Canada .. C$1.00	Japan Y600	Singapore . S$ 4.10
Cyprus ... C£0.75	Jordan ... Fils 500	Spain .... Pta 125
Denmark . DKr.9.00	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Egypt .... E£2.25	Lebanon £L 50.00	Sweden .. SKr 8.00
Finland . Fmk 7.00	Luxembourg . LFr.48	Switzerland SFr 2.20
France FFr. 8.50	Malaysia Rin 4.25	Taiwan . NT $65
Germany DM 2.20	Mexico .. Pes. 300	Tunisia Din 0.800
Greece ... .Dr 80	Morocco Dh 6.00	Turkey .. L 500
Hong Kong . HK$ 12	Netherlands . Fl 3.00	U.A.E. .. Dh 6.50
India ... Rup. 15	Norway . NKr. 7.00	U.S.A. $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,209 — Monday April 13 1987 — D 8523 B

Soviet Jews high on Shultz agenda, Page 5

World news

Vietnam to seek Western investors

The Vietnamese Government is drafting a foreign investment law, thought to be one of the most liberal in the communist world, which would allow for 100 per cent foreign ownership.

Repatriation of profits would be allowed and all areas of the economy would be open for investment, excepting defence and public utilities. The draft law could be presented to Vietnam's National Assembly as early as June. Page 24.

Indian minister quits

India's Prime Minister Rajiv Gandhi accepted the resignation of Defence Minister Vashwanath Pratap Singh after the government was rocked by the minister ordering an inquiry into a major armaments deal. Page 24

West Bank friction

Israeli bulldozers began clearing Arab orchards near the occupied West Bank town of Kalkilia in retaliation for the murder of a Jewish settler on Saturday.

S. African protests

South African religious and opposition groups reacted strongly to new government civil rights restrictions forbidding any form of protest against detention without trial.

Soviet space triumph

The Soviet space programme to create the first permanently manned orbiting station was boosted when a research module docked with the space station Mir following a space walk by two cosmonauts.

French nuclear leak

The safety of nuclear power in France is being questioned after a leak was found at a nuclear facility south of Lyon. Seven technicians were injured while repairing the leak. Page 2

N. Sea price-fixing

A British shipowners' group in the North Sea supply boat market operated a secret price-fixing agreement, since collapsed, in an attempt to keep charter rates above break-even levels. Page 24

Sri Lankan murders

Tamil separatists in Sri Lanka shot dead three civilians taking part in a cycle race at Mutar on the eastern part of the island.

Million at mass

Pope John Paul became the first pontiff in six centuries to spend Palm Sunday outside Rome when about 1m people saw him celebrate an outdoor mass in Buenos Aires.

US crime falls

Crimes committed in the US dropped 2 per cent last year to the lowest level since 1973, the year the Justice Department began annual surveys.

Wind halts search

Violent winds halted the search for more bodies in the wreck of the British car ferry Herald of Free Enterprise, off the Belgian port of Zeebrugge.

Passport inquiry

The Irish Government is investigating a British press claim that passports from its London embassy were sold for up to £15,000 to Lebanese and Iranians.

Fake wine lake

Italian police arrested 11 members of a gang they believe sold 80m litres of fake wine that was difficult to distinguish in laboratory tests from the real thing.

Erskine Caldwell dies

Prolific US author Erskine Caldwell, best known for his novels Tobacco Road and God's Little Acre, died, aged 83.

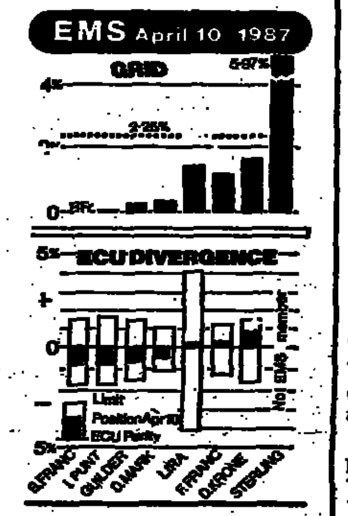
Business summary

French Disney contract awarded

A £1bn contract to manage construction of the Magic Kingdom entertainment complex in the European Disneyland project near Paris has been won by a joint company comprising Bovis of the UK and US contractor Lehrer McGovern. Page 28

TRANSCANADA Pipelines, major transporter of natural gas, has offered to buy the assets of troubled Dome Petroleum for C$4.3bn (US$3.3bn). Dome owes creditors, including major Canadian banks, about US$4.7bn. The bid has been rejected by Dome.

EUROPEAN Monetary System: Attention remained focused on the US dollar last week and currencies within the EMS showed little overall change compared with their central rates. The dollar lost most of its earlier gains to finish little changed on the week, apart from its fall to record levels against the yen. Currencies traded comfortably within the system despite the dollar's underlying weakness to the extent that traders were taking seriously suggestions that interest rates might have to be reduced further in order to help counteract trade imbalances.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

CERUS, the De Benedetti group's holding company in France, is selling 1.25m new shares in a worldwide share placing to raise nearly FFr 1bn ($166m) Page 25

CAR shipments to the UK from some Japanese manufacturers were cut substantially earlier this year, apparently to redirect vehicles to the more profitable markets in West Germany and the Netherlands.

FORD MOTOR is continuing its aggressive expansion into the financial services industry and has agreed to buy PMI Mortgage Insurance, fourth biggest mortgage insurer in the US, from Sears Roebuck, US retailing and financial services conglomerate. Page 28

WILLIAMS HOLDINGS, UK industrial conglomerate, has declared its offer for Norcros, UK building materials and printing group, to be final in an attempt to neutralise the risk of a prolonged bid battle. Page 30

STANDARD ELECTRICA, Spanish telecommunications supplier controlled by the French-led joint venture Alcatel, is to negotiate the sale of Marconi Española, its defence electronics subsidiary. Page 25

WANG Laboratories, US computer group, is discussing a deal with Alcatel, telecommunications subsidiary of CGE of France, which could increase Alcatel's presence in the UK market. Page 28

INTEL and AMD, two large US semiconductor producers, have turned in greatly improved results for their latest reporting period. Page 25

Texaco files for Chapter 11 in Pennzoil battle

BY WILLIAM HALL IN NEW YORK

TEXACO, the third biggest US oil company, has filed for protection from its creditors under Chapter 11 of the federal bankruptcy law, its president and chief executive officer, Mr James Kinnear, said yesterday.

The move follows its long-running legal battle with Pennzoil, its smaller rival.

Mr Kinnear added that the action would not affect the network of subsidiaries "that constitute the vast bulk of Texaco's operations."

He called the move "a most difficult, painful and wrenching decision ... however, we had no choice in the matter."

Earlier, the two sides made only marginal progress towards reconciling their differences over the size of bond Texaco should put up in order to appeal against the $9.1bn damages awarded by a Texas court. The civil damages award, the biggest in US history, resulted from the two companies' battle to acquire Getty Oil in January 1984.

After a week of feverish legal activity, Texaco's board of directors held an emergency board meeting at the weekend to discuss the company's strategy before the Texas appeals court hearing today, which is expected to decide whether Texaco should post a bond for the full amount of the damages in order to appeal.

Texaco and its advisers stressed that the company would not be able to survive if it was forced to post a bond for the full amount of the award, which was reduced from $11.1bn to $9.1bn earlier this year but which with interest now amounts to $10.3bn.

Texaco is confident that it will eventually be able to overturn the damages award but warned that if, as required under Texas law, it had to post a bond for the full amount of the damages, it would be forced to seek the protection of the bankruptcy courts.

In court papers filed late on Friday Pennzoil proposed that Texaco only need post a bond equivalent to half the $10.3bn damages award provided Texaco accepts certain concessions, including cutting its dividend to not more than 50 per cent of its current earnings. In 1986 Texaco earned $725m, or $3.01 per share, and paid out dividends of $722m, or $3.00 per share.

Mr Richard Brinkman, Texaco's chief financial officer, explained in an affidavit filed with the Houston court on Friday how the strains of attempting to provide security even remotely resembling the amount of the judgment would plunge the company into bankruptcy.

He noted that Texaco had $1.7bn of debt maturing over the next eight months which it had little prospect of refinancing, given the current uncertainty. The company has been forced to pull out of the commercial paper market which had provided it with $2.4bn of working capital, and many of its suppliers are refusing to advance normal trade credit and demanding cash on delivery.

The company said that if security of over $500m was imposed on the company its existing credit facilities weud terminate, rendering Texaco unable to finance its business.

A week ago Texaco suffered a major legal setback at the hands of the US Supreme Court. The court overruled a lower federal court which had said Texaco need only post a $1bn bond to appeal.

The Supreme Court said federal courts had no right to interfere in the case until Texaco had exhausted its appeals in the state court.

Japan renews threat of appeal to Gatt over US tariffs

BY CARLA RAPOPORT IN TOKYO AND WILLIAM DAWKINS IN BRUSSELS

JAPAN has reiterated that it intends to appeal to the General Agreement on Tariffs and Trade (Gatt) against the US decision to impose tariffs on Japanese industrial products at the end of this week.

At the same time the European Commission is drawing up measures to prevent Japanese goods being dumped in the EEC as a result of the punitive US tariffs. These are due to come into effect on April 17 on a range of largely electronic goods.

Japan's Ministry for International Trade and Industry (Miti) says Tokyo has been wrongly accused of failing to implement the bilateral semiconductor trade pact.

"Despite repeated requests, the US has not explained to Japan the basis upon which it calculates trade damage of $300m. This is unacceptable.

"Further, the discriminatory application of tariffs as proposed by the US would be in direct conflict with US obligations under the Gatt," Miti said at the weekend in Tokyo.

The commission's move follows a meeting of trade officials from the Community's 12 member states which agreed on tough joint action to force Japan to open its markets to foreign companies and to retaliate against unfair predatory pricing in the Community.

This marks a significant increase in tension in the trade disputes between Brussels and Tokyo exacerbated by last week's announcement of another big rise in the Japanese trade surplus.

It is also a victory for Mrs Margaret Thatcher, the British Prime Minister, who has been seeking EEC support for her threat to retaliate against the Tokyo government's refusal to grant the UK company Cable and Wireless a significant stake in Japan's telecommunications market.

The trade officials have also asked the Commission to examine whether to call for the establishment of a panel under Article 23 (2) of the Gatt to investigate the growing imbalance in trade between the Community and Japan. This is the resort usually taken when bilateral talks have broken down.

As far as the US is concerned, Japan's leaders, despite their tough talk, are still looking for ways to reach a political deal to end the dispute. Hopes are pinned on two sets of talks due to take place by the end of the month.

Mr Shintaro Abe, chairman of the ruling Liberal Democratic Party's general council, will fly to Washington on April 19 as a special envoy of Mr Yasuhiro Nakasone, the Prime Minister. Mr Nakasone is due to go to Washington himself at the end of the month.

Stewart Fleming in Washington writes: Mr Richard Darman, an architect of the Reagan Administration's economic policies whose resignation as deputy Secretary of the Treasury became effective over the weekend, described the semiconductor agreement with Japan as "flawed" because it was orientated towards the cartelisation of the market.

He said he believed that getting tougher with Japan on trade issues should only be a "small element" of US policies aimed at improving the competitiveness of the American economy. As part of this policy package, he said, top Congressional and Administration officials should agree a compromise aimed at reducing the Federal budget deficit. He said the compromise should include excise tax increases.

President Ronald Reagan has vigorously opposed a tax increase although his budget does provide for

Continued on Page 24

EEC move, Page 4; Editorial comment, Page 22

Airbus hit by move to delay $4bn backing

BY DAVID MARSH IN BONN

POLITICAL and commercial pressures on the Airbus airliner consortium are likely to increase following a decision by European governments to delay until June a $4bn decision on formally backing the new generation of Airbus airliners.

The delay in the decision, which Airbus had hoped would be taken by the middle of this month, follows last week's shelving of a project to power the proposed long-haul A-340 aircraft with a revolutionary "Superfan" V-2500 engine.

It adds up to another setback for Airbus Industrie's efforts to launch the A-340 and its medium-range sister aircraft, the A-330.

A senior Airbus executive insisted that the delay would not affect the consortium's plans to bring the A-330 into service by May 1992, and the A-330 a year later. The executive said industrial development work could continue even though the project had not yet been given full financial backing.

However, the delay is bound to encourage McDonnell Douglas, the US aerospace group, to step up efforts to persuade potential Airbus clients to buy instead the rival MD-11 airliner which will be in service by 1991.

The Airbus consortium, backed by the aerospace companies and governments in France, West Germany, Britain and Spain, has been fighting an uphill battle to launch the A-330/A-340 projects to secure a place in a market dominated by Boeing and McDonnell Douglas.

An executive at McDonnell Douglas said there "must now be uncertainty over the viability and profitability" of the A-330/A-340 programme. He suggested that the delay might also increase the chances for the US company to co-operate with Airbus on a range of aircraft types to compete with Boeing.

Such a proposal has been put by McDonnell Douglas to the European governments involved in the project – although it has been firmly rebuffed by Airbus.

The possibility of the two groups teaming up has been looked at favourably by the British Government, which has been reluctant to put up the full £750m ($1,200m) cost of participation in the A-330/340 projects requested by British Aerospace (BAe).

The UK Government, which is expected to make a final offer of financial support to BAe later this month, has until now proposed putting up only about £400m.

Mr Jean Pierson, the Airbus president, said this week that any delay to the mid-April target date could cause potential airline customers to choose alternative aircraft.

The financial decision, is now likely to be taken when ministers from the four countries meet at the Paris air show in June. Airbus said the postponement was caused by the need to inform customers and governments about changes in the A-340 engine plans.

Airbus this week agreed to power the early versions of the A-340 with the Franco-US CFM-56-583 engine rather than the Superfan. The Superfan was dropped by its designers, the five-nation International Aero Engines consortium, on the grounds that it would not be ready by the proposed A-340 in-service date of 1992.

EEC plans crackdown on ailing steel producers

By Peter Bruce in Bonn

THE EUROPEAN COMMISSION is preparing to impose tough new strictures on EEC steel producers that get into financial trouble during the current turmoil in the industry.

Despite a rapid return to losses among healthy Community steel producers late last year, and a general breakdown of recovery measures amongst weaker steelmakers, no new state subsidies are to be approved, officials say.

Instead, Commission officials say bankrupt steel companies are to be forced to enter a process similar to US Chapter 11 proceedings, under which companies are protected from their creditors provided they undergo an often painful restructuring.

The Commission has also lost all interest in a plan proposed by Eurofer, the "club" of EEC integrated steel producers, under which it would identify and make cuts in capacity in return for Brussels delaying lifting production limits on a wide range of steel types.

The plan, says a senior Commission official, "was an interesting exercise," production quotas on light sections, merchant bars and wire rod are almost certain to be lifted by the end of this year, the official said.

The other steels currently protected by quotas – hot rolled coil and strip are central to the survival of large producers and the Commission may hold these quotas longer than it wants to, provided industry ministers from member countries can be persuaded to agree on the introduction of a European version of Chapter 11.

All the major West German steelmakers are in the red again after two profitable years but what has shaken the Commission appears to be much bigger losses than expected at Finsider, the Italian state-owned steel industry holding group. Finsider recently announced a $770m loss for last year but the Commission suspects the loss was about twice that.

Since the beginning of last year, payment of aid to steel companies by EEC governments has been illegal. Finsider, though, has little hope of returning to profit without such aid or without making massive job and capacity cuts, which is just what the Commission wants it to do.

"There has to be a big tragedy," says one Commission official. Steel analysts have long believed that the quickest way to start the Italian state steel business back on the road to profit would be to close the huge Bagnoli integrated works near Naples.

Shultz to seek outline accord on medium-range missiles

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT, IN MOSCOW

MR GEORGE SHULTZ, the US Secretary of State, arrives in Moscow today for talks with Soviet leaders which, it is hoped, will pave the way to an agreement between the US and the Soviet Union on the elimination of medium-range nuclear missiles in Europe.

Such an agreement, however, is by no means a foregone conclusion. In spite of what has been interpreted in some quarters as the conciliatory gesture made by Mr Mikhail Gorbachev, the Soviet leader, in a speech in Prague last Friday on shorter-range nuclear weapons, it is far from certain that his latest proposal will satisfy either the US or its European allies.

A draft agreement on the elimination of US and Soviet intermediate-range nuclear forces (INF) in Europe – embracing Soviet SS-20s and US cruise and Pershing II missiles with ranges between 1,000km and 5,000km – has virtually been concluded at the Geneva arms control negotiations.

What remains to be settled is how shorter-range INF weapons – with ranges between 500km and 1,000km – will be dealt with and what would be the link between an accord on medium-range missiles with this category of weapon.

Mr Gorbachev, in proposing parallel talks on shorter-range INF missiles, without directly linking them to an accord on medium-range missiles, has attempted to allay European anxieties that an INF deal would leave them dangerously exposed to a Soviet attack by shorter-range weapons. The Soviet Union is said to have a superiority of nine to one over Nato in this category.

The European Nato members, particularly West Germany, Britain and France, consider that they must not be deprived of all nuclear protection on the ground in Europe, which would undermine the Alliance's strategy of flexible response.

The Europeans argue that, if the only recourse in the event of a conflict between Nato and the Warsaw Pact were the use of long-range strategic weapons, the US might well hesitate to use them in the defence of Europe. This is known in arms control jargon as the "decoupling" of the US from Europe.

Which this in mind, the Nato countries have proposed that the Soviet Union should reduce its shorter-range INF weapons to an agreed ceiling and that the West should be allowed to build up its force of shorter-range weapons to that level. However, such a solution has so far been rejected by the Soviet Union.

The argument over shorter-range INF missiles mirrors the fundamental disagreements between Mr Gorbachev and Mrs Margaret Thatcher, the UK Prime Minister. These came to light during Mrs Thatcher's recent visit to the Soviet Union.

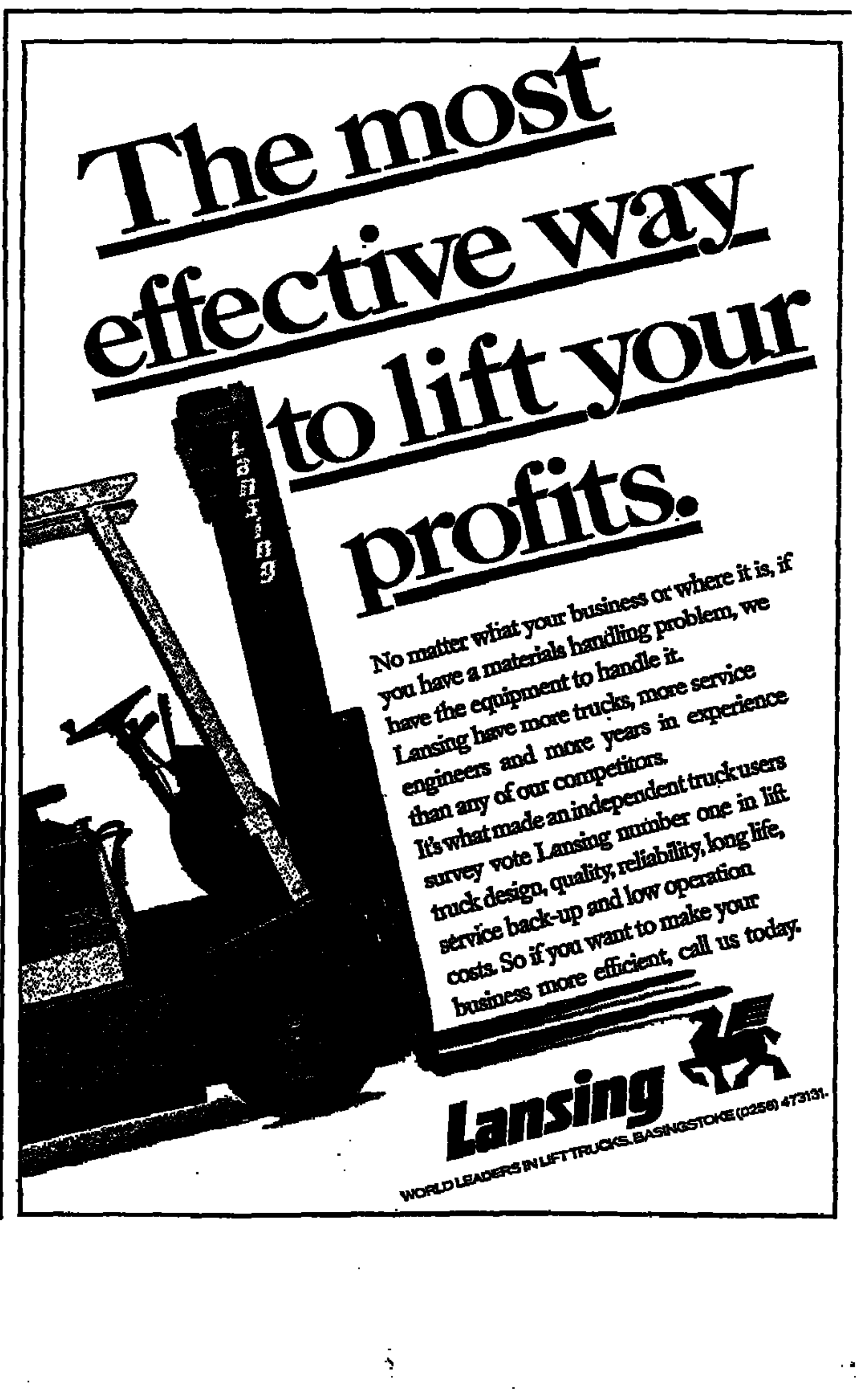
While Mr Gorbachev has, ostensibly, set his sights on the elimination of all nuclear weapons, Mrs Thatcher, in common with most of the Nato allies, believes that peace can be assured only by a policy of mutual nuclear deterrents, which has proved its worth over the past 40 years.

Apart from the differences over shorter-range INF missiles, it is also clear that the gaps between the US and the Soviet Union on reducing long-range strategic nuclear weapons has grown since the summit meeting in Reykjavik between President Reagan and Mr Gorbachev.

While in Reykjavik President Reagan appeared to be prepared to give an undertaking that the US would adhere to the 1972 anti-ballistic missiles treaty (ABM) for 10 years, thus accepting constraints on the deployment of the SDI space-based defensive system for that period, pressure from the Pentagon is reported to have persuaded the US Administration to reduce that offer to only five to seven years, according to US officials.

Not least, Mr Shultz's talks in Moscow risk being overshadowed by US anger at the bugging of its embassy in Moscow.

Gorbachev visit; Jewish immigration on Shultz agenda, Page 5



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Tony O'Reilly, chairman of H. J. Heinz, talks to Hugh Carnegy. Page 20

OVERSEAS NEWS

French nuclear reactor leaks raise fresh fears

BY PAUL BETTS IN PARIS

A CONTROVERSY over the safety of nuclear power plants risks being revived again in France after two accidents in key nuclear facilities exactly a year after the Chernobyl disaster in the Soviet Union.

Production of uranium hexafluoride at the Pierrelatte nuclear facility south of Lyon, was halted yesterday after a leak was discovered at the plant.

Seven technicians were hurt while repairing the leak which caused what the authorities described as "a weak quantity" of uranium hexafluoride (UF-6) to escape into the atmosphere.

The accident followed another leak in France's Superphénix fast breeder nuclear reactor at Creys-Malville, discovered on March 31, but which has yet to be repaired. Technicians at Creys-Malville have still to discover the precise cause of the leak of liquid sodium.

Although the French nuclear authorities and the electricity utility, Electricite de France (EdF), claimed that the two accidents were under control and would not entail any major risks, the two incidents immediately sparked concern from French environment lobbies.

Mr Alain Carignon, Environment Minister, asked the group in charge of the uranium hexafluoride operations at Pierrelatte to give the "utmost information" on the leak and its possible consequences.

The ministry is to prescribe additional safety measures to ensure against another such accident.

Uranium hexafluoride is only marginally radioactive, but is a highly toxic substance. It is produced at Pierrelatte, then transferred to the nearby uranium enrichment plant of Eurodif.

There, it is enriched and turned into the nuclear fuel used in pressurised water reactor plants, which form the basis of the French nuclear power system.

Production of uranium hexafluoride is expected to be interrupted for several days following the accident yesterday, but this is not likely to affect Eurodif, which has ample stocks to continue operating for several weeks.

At the Superphénix plant, the nuclear reactor has continued to operate despite the leak of more than 20 tonnes of liquid sodium which is not radioactive but highly dangerous since it ignites automatically in air.

Public pressure groups have asked that the reactor be shut down until the causes of the leak have been identified.

Gatt staff to stage pay protest strike

BY WILLIAM DULLFORCE IN GENEVA

STAFF at the General Agreement on Tariffs and Trade, the world trade organisation, are staging a half-day strike today, to protest against sharp declines in their salaries and pensions.

The stoppage by the near-350-member secretariat will delay until tomorrow a meeting of the Group on Negotiations on Goods, the controlling body due to check progress in thet Uruguay Round of trade-liberalising talks.

Further action will be taken, the staff council has warned, if Gatt's 93 member-countries do not act to ease the fall in staff's purchasing power and to return salaries to "a reasonable level."

Purchasing power among Gatt's professional staff, mostly economists and lawyers, has fallen by more than 20 per cent since the 1970s, a much deeper cut than that suffered by UN personnel in New York.

Gatt staff are paid in Swiss francs but with rates and foreign posting adjustments tied to the dollar rates applied in New York. At the heart of the present dispute is the UN budget crisis and depreciation of the dollar.

Gorbachev cuts short controversial Czech visit

By Leslie Colitt in Prague

MR MIKHAIL GORBACHEV, the Soviet leader, ended an official visit to Czechoslovakia whose conservative leadership took a dim view of his appeals at home for a democratisation of political and social life.

Mr Gorbachev left the Slovak capital of Bratislava on Saturday, earlier than planned, because of what Soviet officials said was a continued cold. He and Mr Gustav Husak, the Czechoslovak leader, expressed "satisfaction" at the results of the visit which was said to have strengthened "co-operation and friendship" between the two countries.

Throughout the visit Mr Gorbachev avoided giving the impression he was putting pressure on the 74-year-old Mr Husak, but statements issued after talks between the two communist parties spoke of a "frank" exchange of views which normally denotes sharp differences.

In his major address in Prague the Soviet leader said Moscow was "far from calling on anyone to copy us" but he said the Soviet party was "deeply convinced" that success within Comecon was not possible without each party having "obligatory respect" for the interests of its allies.

"A reliable criterion of the seriousness of a ruling Communist party today," he said, was its attitude towards the "experiences of friends." Such comments were undoubtedly aimed at the orthodox Czechoslovak leadership according to East European officials.

As was the case in Prague, thousands of residents of Bratislava came to welcome Mr Gorbachev of their own free will. Young people in particular hoped the visit would bring about political changes in Czechoslovakia which was occupied by Soviet troops in August, 1968, when Mr Alexander Dubcek, the reformist Communist leader, was deposed.

In informal chats with Czechoslovak citizens he met along his cavalcade route, Mr Gorbachev referred several times to the brief "Prague Spring" of 1968.

Chinese public security minister dismissed

BY ROBERT THOMSON IN PEKING

CHINA'S Public Security Minister, Ruan Chongwu, who worked to humanise the country's tough police force, has been removed in a ministerial reshuffle. His fall highlights the continuing infighting in the Communist Party and reflects the party's push for tighter control over the country in the wake of last year's student protests.

The Health Minister, Cui Yueli, and the Light Industry Minister, Yang Bo, were also replaced during the closing session of the National People's Congress on Saturday. But both are in their late sixties and their portfolios are not as politically sensitive as Mr Ruan's.

Elderly Chinese officials, including the paramount leader, Deng Xiaoping, were angered by the soft-touch police handling of the student protests last December and urged that more force be used.

Ruan could also have irritated those leaders with his unusual public admissions of police corruption and brutality. Ruan, who had previously served as a vice-mayor in Shanghai, was a close associate of the dumped party general secretary, Hu Yaobang. He had attempted to make the police force more publicly accountable.

Significantly, Hu did not appear at Saturday's closing session, although his appearance at earlier sittings was hailed by Government officials as a sign of political stability and unity and was given prominence on Chinese television.

The congress chairman, Peng Zhen, an elderly official with growing importance, indicated last week that Hu could lose his position on the elite Politburo Standing Committee this year.

The successor to Ruan, who is to work for a science organisation, is Wang Fang, a political and legal enforcer noted for his role as prosecutor during the trial of Mao Tse-tung's wife, Jiang Qing, in 1979.

The congress closing session also provided an unusual show of opposition to officially sponsored proposals. The most significant dissent, about 50 votes out of 2,700, was to a proposal by Premier Zhao Ziyang for a new head of the state commission for economic restructuring.

Zhao, who now heads the commission, proposed that Li Tieying, a former electronics industry minister, take the role to alleviate the added burden he inherited on becoming acting party general secretary in place of Hu.

Ruan Chongwu: "Too soft on students"

S Africa clampdown gives rise to outcry

BY ANTHONY ROBINSON IN JOHANNESBURG

SOUTH AFRICAN religious and opposition groups have reacted strongly against further civil rights restrictions promulgated over the weekend. These forbid any form of protest against detention without trial or calls for the release of such prisoners.

The new restrictions were published in Saturday's official gazette.

The regulations, which even ban the display of car stickers or slogans on T-shirts, make it illegal to make any oral or written statement or attend any protest gathering. The media are forbidden to publish any reports announcing such meetings, including church meetings.

Hours after the new regulations were promulgated, Archbishop Desmond Tutu, Archbishop of Cape Town, announced he would defy the new rules by holding a church service at St George's Cathedral today, to pray for the release of detainees.

Six weeks ago, Mr Adriaan Vlok, Minister for Law and Order, said 3,989 people were detained under the internal security laws.

The Unofficial Detainees Parents Support Committee (DPSC) estimates that more than 30,000 people have been detained since the state of emergency was reimposed on June 12, of whom over 7,000 are still in detention.

Mr Murphy Morobe, acting publicity secretary of the anti-apartheid United Democratic Front (UDF), said the new restrictions "are calculated to frustrate a proposed campaign for the release of all detainees."

Mrs Helen Suzman, of the opposition Progressive Federal Party (PFP), said she would defy the new restrictions. She was backed up by Mr Colin Eglin, PFP leader, who added: "No regulation is going to change the PFP's attitude, which is that detention without trial must be scrapped."

The latest government clampdown follows last week's warning by President P. W. Botha of possible South African raids against neighbouring states to forestall an alleged African National Congress (ANC) plot to disrupt the whites-only election campaign.

Israelis move to avenge killing

By Our Jerusalem Correspondent

ISRAELI BULLDOZERS yesterday began clearing Arab orchards near the occupied West Bank town of Kalkilia, in retaliation for the killing on Saturday of a Jewish settler.

Earlier hundreds of enraged settlers rampaged through the small town, 17 miles from Tel Aviv, breaking windows and setting cars and citrus groves on fire. The army eventually reimposed order.

The settler, a woman, died when her car exploded after being hit by a Molotov cocktail hurled from the vicinity of an orchard.

Last night an emergency meeting of the council of Jewish settlers, representing the 60,000 Jews living in the occupied territories, demanded tougher penalties against stone and petrol-bomb throwers, including the death penalty.

S. Korea 'to delay reform'

SOUTH KOREA has abandoned plans for constitutional reform until after a successor to President Chun Doo Hwan is installed and the 1988 Olympics are out of the way, local newspapers said yesterday, Reuter reports from Seoul.

A successor to Chun, who will step down when his term ends next February, will be selected by the electoral college system, said the influential Chosun Ilbo and the Government's Seoul Shinmun. They both quoted government sources.

Meanwhile, hundreds of police continued to confine opposition figure Kim Dae-jung, an arch-foe of the electoral college system, to his home.

Government and ruling-party officials have said prospects for agreement over constitutional reforms had dimmed since Kim and Kim Young-sam, the other leading dissident, decided to form a new political party

Japanese vote in election crucial to Nakasone

BY CARLA RAPOPORT IN TOKYO

JAPANESE VOTERS went to the polls yesterday in local government elections which are expected to have a crucial impact on the future of Mr Yasuhiro Nakasone, the Prime Minister.

Although the contests are for local government posts throughout Japan, candidates have campaigned on only one main issue —a 5 per cent sales tax proposed by Mr Nakasone and the ruling Liberal Democratic Party.

At stake are 13 gubernatorial posts, 2,670 local assembly seats in 44 prefectures, two mayoral posts and 655 city assembly seats.

The proposed sales tax has turned into a nightmare for Mr Nakasone, who was hoping that the LDP's tax reform package would be one of the crowning achievements of his time as Prime Minister, allowing him to extend his term beyond its expiry this autumn or retire in glory as an LDP king-maker.

But the issue caused a backlash of protest from retailers, consumers, small businesses and all of Japan's opposition parties which see the sales tax as a punishment, not a progressive step toward tax reform.

Political analysts believe a poor showing for the LDP could result in calls for Mr Nakasone's resignation from his own party.

On Saturday, Mr Hiroshi Kitsuzuka, a former Transport Minister, told an election gathering that Mr Nakasone would be asked to step down after the summit of industrialised democracies in Venice in June.

Zimbabwe 'in MiG deal'

By Our Harare Correspondent

REPORTS IN London that yesterday Zimbabwe was spending $200m (£125m) on Soviet MiG-29 interceptor aircraft follow pressure to strengthen Zimbabwe's air defences to deter South African incursions.

There was no immediate comment from Harare

A high-powered team of ministers and military men visited Moscow recently to discuss arms. Western diplomats here have long been predicting a Zimbabwe/Soviet arms deal

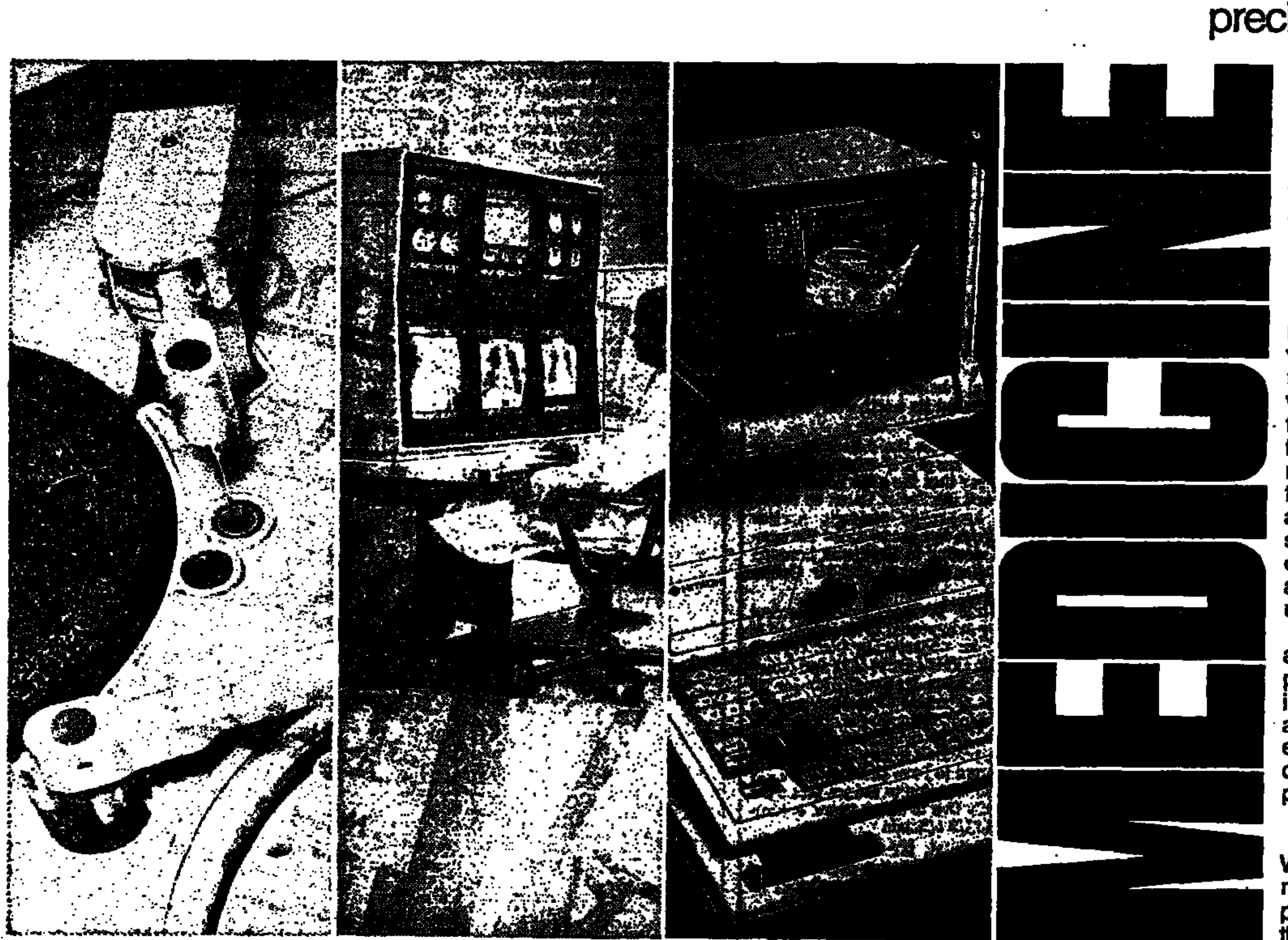
Zimbabwe insists it does not provide military bases for African National Congress guerrillas. Only last week, Mr Witness Mangwende, Foreign Minister, described as nonsense and lies allegations that ANC guerrillas were being allowed to use Zimbabwe in order to disrupt next month's whites-only elections.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and as members of the Board of Directors, F Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: R.A. Harper, Frankfurt/Main, Guiollettstrasse 54, 6000 Frankfurt am Main 1. © The Financial Times Ltd. 1987.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

Medicine should be more than the ability to treat or cure. The best care and treatment come from precise diagnosis.



Hitachi's advances in medical electronics extend to automatic blood chemistry analysis, a Picture Archiving and Communications System, diagnostic ultrasonics and Magnetic Resonance Imaging.

Medical electronics have brought marvelous progress to diagnostic medicine in recent years. Great strides have been made in biochemical analysis, electron microscopes and medical information systems. Another shining example is the advent of imaging equipment which uses magnetic resonance to display even the most subtle changes in body chemistry.

Hitachi's scientists and engineers are now at work on an innovative system which will make it feasible to store, retrieve and use comprehensive diagnostic data from a wide array of imaging equipment — from the most sophisticated Magnetic Resonance Imaging units (MRI) to nuclear medicine, ultrasonic scanners and X-ray CT, to name just a few. This Picture Archiving and Communications System (PACS) should lead not only to more precise diagnosis but also to formation of research and education information networks which use medical image data to the fullest.

Hitachi are also developing highly advanced electronic microscopes for exploring the world of micro-fine objects — indispensable in basic studies of medicine and biology. And we are creating medical equipment such as an automatic blood chemistry analyzer and an information processing system.

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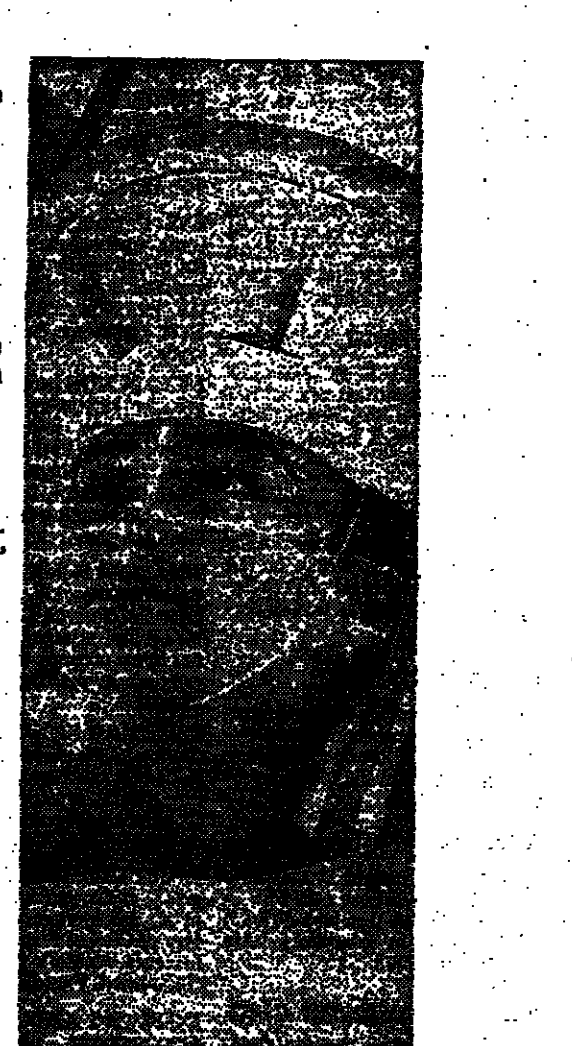


HITACHI

Hitachi, Ltd. Tokyo, Japan

Brazil and bank creditors far apart on debt

BY ALEXANDER NICOLL

BRAZIL and its leading bank creditors remained far apart at a meeting in New York over the weekend.

Mr Francisco Gros, the central bank governor, made a further informal request for co-operation by the international banking community, but the bank advisory committee, headed by Citibank, refrained from endorsing it.

Facing a notional deadline this week for the repayment of \$9.6bn (£6.8bn) of debt principal due in 1986, Mr Gros did not ask banks for a formal rollover of the maturities. Instead, he is simply asking banks "not to request payment."

This approach parallels Brazil's outstanding request for an informal 60-day standstill on \$15bn of short-term interbank and trade credit lines. The banks' commitment to maintain these expired on March 31.

Though the advisory committee on Friday repeated that it was ready to continue a dialogue with Brazil, it will not make a recommendation that banks accede to Brazil's latest request.

It had given a similar frosty response when Brazil sought the standstill on short-term lines.

Given that Brazil has suspended interest payments on \$68bn of medium and long-term debt to banks and effectively frozen the short-term lines by altering rollover procedures, the deadlines are purely technical.

The absence of formal agreements on the extension of the arrangements increases the chance that individual banks could take legal action to seek repayment of their credits.

The advisory committee has unsuccessfully demanded that Brazil resume interest payments, at least with a token amount, as a sign of its good faith.

Mr Gros presented the committee with a booklet, The Financing of Economic Development, 1987-1991, which is to be circulated to all Brazil's 700 creditor banks.

The plan seeks funding of \$4bn a year. Bankers are treating it, however, as a statement of goals rather than the convincing programme of economic measures they want to see.

Bankers do not expect substantive negotiations on a formal and long-term treatment of Brazil's debt problem to get under way for some time.

Boeing and JAL to stand trial in US

By William Hall in New York

BOEING and Japan Airlines must stand trial in the US to determine their liability for the deaths of 520 people in the 1985 crash of a Japan Airlines Boeing 747 jumbo jet according to a ruling by a state court judge in Seattle, Washington.

The ruling could pose a serious setback for Boeing, the world's biggest aircraft manufacturer, which has one of the best safety records. After the crash, Boeing and Japan Airlines said there was no need to hold a trial because they planned to compensate the families of the victims through private settlements.

More recently, as litigation has looked more likely, Boeing and Japan Airlines have been trying to have the court cases heard in Japan.

However, the state court judge in Seattle ruled yesterday that the issue of liability and damages should be considered separately for the moment and ruled that the question of liability for the accident should be settled in a US court. He deferred a decision on whether damages should be tried in the US or Japan.

Boeing and Japan Airlines had sought a dismissal of a suit brought by 89 families in King county superior court in Seattle. The companies argued that the US courts were not a proper forum for the case because the accident happened in Japan, most of the victims were Japanese, the plane was Japanese-owned and it was inconvenient to handle the case in the US.

Mr Vernon Adkins, a Seattle attorney representing some of the families' victims had opposed efforts to get the court cases transferred to Japan because Boeing is based in Seattle.

He has argued that Boeing wanted the cases to be heard in Japan because it was concerned that the legal discovery process required by the US courts would be harmful to the company.

The state court ruled yesterday that "both countries have an interest in Boeing designing, building and repairing planes properly. The question of liability should be answered before this court."

Philip Stephens on behind-the-scenes pessimism over the latest currency accord

Bravado of G7 hides private fears on dollar

THE financial markets' sceptical reaction to last week's Washington currency accord should have come as no surprise to the finance ministers and central bankers of the group of seven industrial nations.

Beneath the official protestations that myopic currency traders were underestimating the strength of the agreement, there were serious doubts among the participants themselves about the extent to which they could hold the line.

With economic growth in the main industrial nations slowing and the trade imbalances between the US and Japan and West Germany almost as large as ever, a sense of paralysis appeared to creep into the talks.

"Everyone knows what they ought to be doing but no one is doing it," one key official was reported as saying. Another thought even that was too confident a statement.

In public, ministers sought to play down the significance of the 2.5 per cent appreciation in the yen's value against the dollar with which foreign exchange markets greeted their pledge to stabilise currencies "around current levels."

In private some officials were admitting that there was anyway little that could be done —the scale of dollar selling against the yen was simply overwhelming the central banks.

Others were suggesting that as long as the US currency's continuing fall remained controlled — and concentrated against the yen—it might almost be welcomed.

The public bravado hid real concerns that the combination of weaker growth and turbulent financial markets could be enough to tip the world economy into recession. That was accompanied by an acknowledgement that the decision to single out Japan for special

James Baker: trade deficit warning

Karl Otto Poehl: in line with Volcker

Nigel Lawson: call for interest rate emphasis

criticism may have been a tactical mistake.

The risk is that such open discord less than two months after the so-called Louvre agreement will undermine the credibility of the whole arrangement. Foreign exchange traders who have been making hefty profits selling the dollar against the Yen could turn their attention to the D-mark.

The markets themselves have sensed that the joint commitment to seek to stabilise the dollar first made in Paris in February was a much looser arrangement than it had first appeared.

Throughout last week's meetings the US attitude to a further depreciation of the dollar remained equivocal.

The recent falls on Wall Street and the spectre of higher interest rates has provoked serious concern in the US Administration about the dangers of a dollar "free-fall."

Until just a few weeks ago the domestic economy had been immune from any adverse affects of the currency's depreciation, but the threat of higher interest rates has brought the risks sharply into focus.

The Federal Reserve's intervention has been much heavier than generally supposed — totalling billions of dollars — and the warnings issued by Mr Paul Volcker, the Fed chairman, appear to be taken much more seriously within the Treasury.

There is now an uncanny similarity between Mr Volcker's speeches and those of Mr Karl Otto Poehl, the president of West Germany's Bundesbank.

Mr Poehl neatly summarised the dangers of a "crash landing" in a public lecture in Washington. The threat was of a vicious circle of depreciation, in flation and further depreciation.

In the process the world economy could be driven into recession, protectionism would gain a firmer grip and the debt crisis would be severely aggravated.

Against that there still appears to be a feeling in the US Administration that the dollar will have to depreciate further if the trade deficit is to be corrected.

The International Monetary Fund's latest Economic Outlook underlined the inadequate response so far of US exports to improved competitiveness.

Mr James Baker, the US Treasury Secretary, meanwhile was at pains to point out that the trade deficit will fall by only around \$15bn this year.

The IMF's analysis of prospective savings and investment flows also points to the apparent inevitability of a further dollar decline —at least in the medium term.

Those doubts explain the qualified language of the Group of Seven's communique. "Around current levels" exchange rates are "broadly consistent" with economic fundamentals, it says.

And even then it makes clear that the judgment depends on everyone living up to their economic policy commitments.

In such circumstances central bankers are far from confident that they can reverse the dollar's downward trend.

Mr Poehl reminded the US that intervention could be become a permanent instrument to finance the country's current account deficit.

And "the less confidence that international investors have in the policies of a debtor country, the higher the price the debtor will have to pay."

The best hope is that such intervention might provide a breathing space during which governments might convince the markets that prospects were improving. "What we badly need is a market perception that the problems in the world economy are being tackled," one senior Japanese official commented.

The problem, he added, was that the markets are too impatient — unwilling to provide the stability needed for governments to translate commitments into actions.

Mr Nigel Lawson, Britain's Chancellor, also implicitly acknowledged the limitations on central bank intervention and suggested that efforts to stabilise exchange rates would be buttressed by giving greater emphasis to interest rate policy.

In essence the alternative to higher US borrowing costs rates would be lower rates in Japan and West Germany.

But while both the Bonn and Tokyo governments have acknowledged that there is some scope for a further reduction in their market rates, they believe that it is relatively small.

Much more important, most officials believe, is the need to provide the markets with concrete evidence that the US administration is able to bring down its budget deficit and that the Japanese Government will meet its growth pledges.

That in turn will need a breakthrough in the political conflicts paralysing both the US Congress and the Japanese Diet. In the meatime, though central banks may make occasional successful raids, the markets seem set to rule.

Swedish rail faces 'crisis'

By Kevin Done, Nordic Correspondent in Stockholm

THE SWEDISH railway system is in "deep economic crisis" and is facing rapidly mounting losses over the next four years, according to the Swedish Railway Network (SJ) board. Mr Bengt Furbaeck, SJ directer-general, is to resign at the end of the year.

The SJ board is proposing a radical reorganisation of the railways under which the state would take full responsibility for maintaining the country's 11,000-km railway network.

SJ would be reorganised along commercial business lines as a rail-based transport company, and would pay the state a fee for use of the railway network

Danish bond tax proposed

By Hilary Barnes in Copenhagen

DENMARK'S Social Democratic Party will impose a turnover tax on bonds, tighten capital gains tax on shares and corporate income tax, and raise employer social security contributions if returned to office following this year's Folketing (parliament) election.

The party's plans are designed to raise about DKr 8bn (£7.54m), to be used to increase unemployment benefits (slightly reduced by the present non-Socialist Government), raise pensions, and inject more money into research and development.

The bond turnover tax will be at a rate of 0.02 per cent, but the first-time sale will be exempted. The party says the tax will raise DKr 5bn.

Ruling party falls in Fiji

By Chris Sherwell in Sydney

FIJI'S Alliance Party, which has ruled the South Pacific archipelago since independence from Britain in 1970, has been ousted in a general election.

Voters gave the opposition multi-racial coalition of the National Federation Party and the Fiji Labour Party a clear majority for the 52 parliamentary seats.

The outcome is important because the coalition, in its election manifesto, indicated it would pursue an independent and non-aligned foreign policy. Under Ratu Sir Kamisese Mara, Fiji had remained aligned firmly with the West.

Pope in 'dirty war' plea

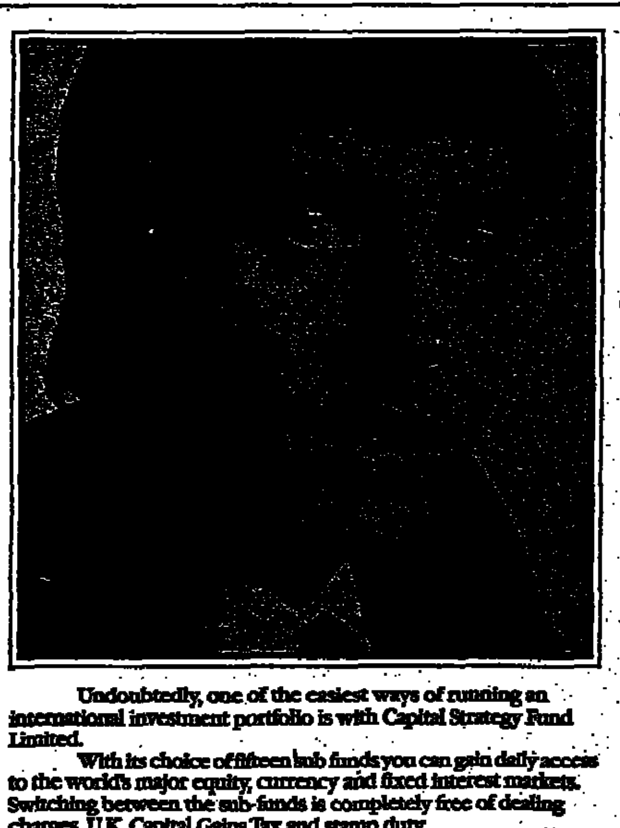
BY TIM COONE IN BUENOS AIRES

THE POPE, in the closing stages of his seven-day tour of Argentina, appealed for "no return to the kidnappings and disappearances."

It was his most direct reference to the trauma of the mid-1970s when more than 9,000 people disappeared at the hands of paramilitary death squads organised by the military regime.

The Pope's remarks on Saturday night, to a gathering of more than 100,000 young people, came at an important moment for the Government which is investigating the "dirty war" through a series of human rights trials in which more than 300 military personnel stand accused of organising the repression.

Right-wing groups have mounted a series of bomb attacks in recent weeks as the trials enter a critical stage. One bomb exploded close to the presidential palace an hour before the Pope made his remarks on the disappearances and within a few hundred yards of the route which the Pope had to take to arrive at the youth gathering.



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YALIN POLLEN

At the End of the Day, Why Do Business Executives Turn to The Journal?

* * *

Fat Cats of Venice Find the Good Life In Sleep and Soup

* * *

Mice Are No Longer a Thrill For City's 300,000 Felines Too Lazy to Chase Them

By LAURA COLBY

Staff Reporter of THE WALL STREET JOURNAL

VENICE – They are everywhere in Venice.

They gather in gangs in the alleys behind the Piazza San Marco and rummage through the garbage of the city's best restaurants. They snuggle together in the folds of Vittorio Emmanuele II's bronze statue on the Riva degli Schiavoni. They scale the walls of patrician palazzi, padding deftly around the shards of glass embedded on top to keep them away.

And they sprawl in the winter sunlight on the Strada Nuova, within a paw's reach of Roberto Guadagnin's fish stand.

"Cats!" Mr. Guadagnin cries, his weather-scarred face turning an even brighter shade of red as he waves his hand toward the contented-looking bunch. "Nowadays, they wouldn't even bat an eye at a mouse. Their bellies are too full."

He shakes his head in mock disgust. "Do you know that I have customers who buy fish and take it home and cook it," he says,

* * *

After a morning session, many readers choose to peruse it later at leisure.

Barbie dolls. The Swiss Navy. The Dutch manure glut. The fat cats of Venice.

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Page 1, column 4.

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THE WALL STREET JOURNAL. EUROPE

TENSION GROWS IN TRADE DISPUTE

EEC in move to prevent Japanese dumping

BY WILLIAM DAWKINS IN BRUSSELS

THE EUROPEAN Commission is drawing up measures to prevent Japanese goods being dumped in the EEC as a result of the US decision to impose punitive tariffs on a range of Japanese exports.

This follows a meeting of trade officials from the community's 12 member states which agreed on tough joint action to force Japan to open its markets to foreign companies and to retaliate against unfair pricing in the community.

The move marks a significant increase in tension in the long-running series of trade disputes between Brussels and Tokyo already exacerbated by last week's announcement of another big rise in Japan's trade surplus.

It is also a victory for Mrs Margaret Thatcher, the British Prime Minister, who has been seeking EEC support in her threatened retaliation for the Tokyo Government's refusal to grant the UK company, Cable and Wireless, a significant stake in Japan's telecommunications market.

The officials agreed with the commission last Friday to "look into all possible further action by the community" to force Japan to lift market barriers to foreign companies, "including the more effective implementation of anti-dumping measures."

In a joint communique they demanded an inquiry into the growing imbalance in trade between the EEC and Japan. This would be in the context of regulations under the General Agreement on Tariffs and Trade specifying how parties to the agreement can seek compensation for losses of trade advantage.

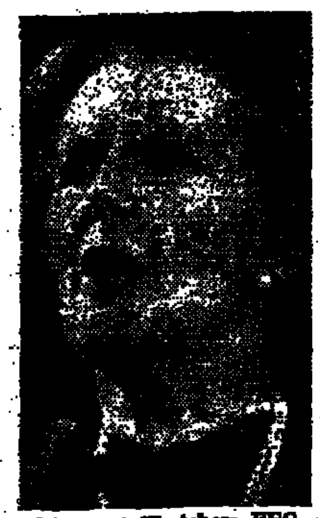
Failing adequate market-opening measures by Japan within a short time, the statement said, the Commission would make a proposal to member states to unbind certain tariffs.

This would give the EEC more freedom to change tariff structures to whatever levels it saw fit, giving the community more liberty, within Gatt rules, to conduct a tariff war against Japan.

The Commission will examine how to stop Japan winning further trade advantages through the lower industrial tariffs, a side effect of Spain and Portugal's entry to the community.

The trade officials' declaration is a tougher and more specific version of the statement on Japanese trade relations made by EEC foreign ministers last month.

Foreign ministers will discuss the issue again when they meet in two weeks, but trade officials said the Commission was unlikely to have drawn up precise proposals for action against Tokyo until May.



Margaret Thatcher: EEC action is seen as a victory for her

Japan condemns 'unfair play' of US in chip negotiations

BY CARLA RAPOPORT IN TOKYO

JAPAN IS continuing its aggressive stance on semiconductor trade, despite the collapse of trade talks in Washington and the imminent imposition of tough tariffs on a wide range of Japanese exports to the US.

In a 13-page position paper released at the weekend, Japan's Ministry for International Trade and Industry (Miti) condemned the US for failing to play fair in the negotiations, for hiding information and for choosing accounting methods which had caused arbitrary discrepancies between US and Japanese statistics

At the same time, Miti believes Japan has abided bv the semiconductor trade pact worked out last summer. Its militant stance against the US in the face of sanctions stems from its months of strenuous work to bring the Japanese semiconductor industry into line.

This work, it claims, has resulted in higher export prices of chips, stopped unfair dumping overseas and increased the import of US chips to Japan.

Japan believes US sanctions could rebound badly against the Reagan Administration, which has long been committed to free trade.

Further, the Japanese semiconductor industry has long been opposed to the US-Japan semiconductor trade pact. So, if the pact falls apart following imposition of tariffs the industry will be relieved.

Officials in Tokyo believe the dispute will move into top-level political talks, possibly between Mr Reagan and Mr Nakasone, the Japanese Prime Minister. Mr Nakasone is scheduled to visit Washington this month. To keep up the pressure, Tokyo intends to take up the issue with the General Agreement on Tariffs and Trade if sanctions go ahead.

> 'Japan is prepared to enter into detailed discussions aimed at promptly resolving any disagreements'

In the meantime, Japan has refused ot give an inch. "The US has refused to disclose to the Commerce Department analysis upon which it based its action (to impose sanctions) despite repeated Japanese requests," the Miti paper complained.

"Japan should not be charged with conduct which the US is unwilling to document . . . Japan has information of its own which demonstrates that the US allegations are incorrect . . . Japan is prepared to enter into detailed and extensive discussions aimed at promptly resolving any of these disagreements," it said.

Miti said the two sides were at odds on the accounting methods of setting the costs of chip production, a crucial element in determining the fair price of semiconductors. It points out that because of the sharp fall in production costs in the semiconductor industry, Japanese companies calculate their costs at the date of shipment.

However, it said, the US Commerce Department, in designing its "fair market value" of exports of Japanese chips to the US, decreed that costs should be calculated six months before shipment.

"This was a decision made by the Commerce Department for administrative purposes . . . (which) is certainly not a universal principle and does not define the presence or absence of dumping. The six month time-lag . . . is strictly an aberration," Miti claimed.

Reasonable people and governments, according to Miti, can easily differ on accounting standards. "In these circumstances, it is all the more important for the two governments to exchange detailed data and engage in extensive" talks with one another.

"In any event, differences over such minor matters as cost accounting practices should not give rise to the kind of confrontation between two important and friendly allies as the US and Japan," it said.

Miti also claimed that exports of foreign chips to Japan had increased from 10.1 per cent of the market in the first half of fiscal 1986 to 11.3 per cent in the second half.

Canon in link with National Semiconductor

By Our San Francisco Correspondent

NATIONAL Semiconductor, the US semiconductor and computer manufacturer and Canon, the Japanese electronics company, have announced plans to co-operate in the development of integrated circuits and software for use in Canon products.

The companies have signed a letter of intent for a long term agreement, National Semiconductor said.

The agreement stems from a major co-operative project in which National is designing chips and software for a Canon laser printer. The companies said they plan to explore broadening the relationship to include other products.

The "partnership with Canon is an example of co-operation between American and Japanese companies. It is one step toward resolving the trade friction between our two countries," said Mr Charles Sporck, President of National Semiconductor.

For National Semiconductor, the agreement also represents a significant boost for the company's high performance microprocessors.

Canon chose National's 32,000 32-bit micros over competing devices from other US and Japanese chip makers, the Japanese company said.

The companies declined to quantify the sales that may result from the agreement.

US semiconductor market shows signs of recovery

BY LOUISE KEHOE IN SAN FRANCISCO

THE US semiconductor market is showing signs of recovery after three years of recession. All three key indicators of market conditions increased last month, reaching the highest levels since 1984 according to data released by the US Semiconductor Industry Association (SIA).

In addition, Intel and Advanced Micro Devices, two of the leading US semiconductor manufacturers, reported significantly improved earnings result for the first calendar quarter.

The long-awaited recovery comes, however, at an awkward time for US chipmakers who are urging US Government trade sanctions against Japanese competitors and seeking government funding for a major manufacturing co-operative designed to boost the industry's international competitiveness.

If the industry enters a new boom, its arguments for government support and trade sanctions would be significantly diminished, US analysts said.

Semiconductor industry executives are, however, reserving judgment on whether the industry is about to enter a new boom.

"We are managing our business cautiously," said Intel. Business has improved in several key sectors, including personal computers, automotive, telecommunications and military orders, the company said.

Intel tripled production of its 286 microprocessor, widely used in personal computers, to meet soaring demand in the first quarter.

Other chip makers report significant increases in orders from distributors. Part of this increase may be related to cuts in Japanese memory chip production and exports. Concern about potential shortages of Japanese memory chips has led to panic buying in the US, according to Texas Instruments, the major US maker of memory chips.

National Semiconductor said it sees a moderate increase, rather than a boom. "The boom is not here yet," said the company. "We prefer this moderate increase in sales which allows us to manage our growth best."

But, distributors report they have seen a genuine surge in orders. The major semiconductor distributors in Northern California increased shipments by an average 32 per cent in value in March, compared to February, according to Wyle Laboratories—a major distributor.

For the entire US semiconductor market, average monthly bookings of new orders for the three months ending March totalled \$910.8m (£650m) an increase of 22.2 per cent above the same figure a year ago, and 15.6 per cent up on February, according to the SIA.

At \$912.1m, US semiconductor sales for March were up 20.6 per cent over last year and 34.6 per cent higher than in February.

The closely-watched book-to-bill ratio, a measure of orders taken compared with shipments, rose to 1.21, from 1.12 last month—the sixth consecutive monthly increase and the highest point reached by the indicator since May 1984.

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ANNUAL REPORT INDEX 1987

During recent years Sweden has done much to restore its position as one of the world's leading trading nations.

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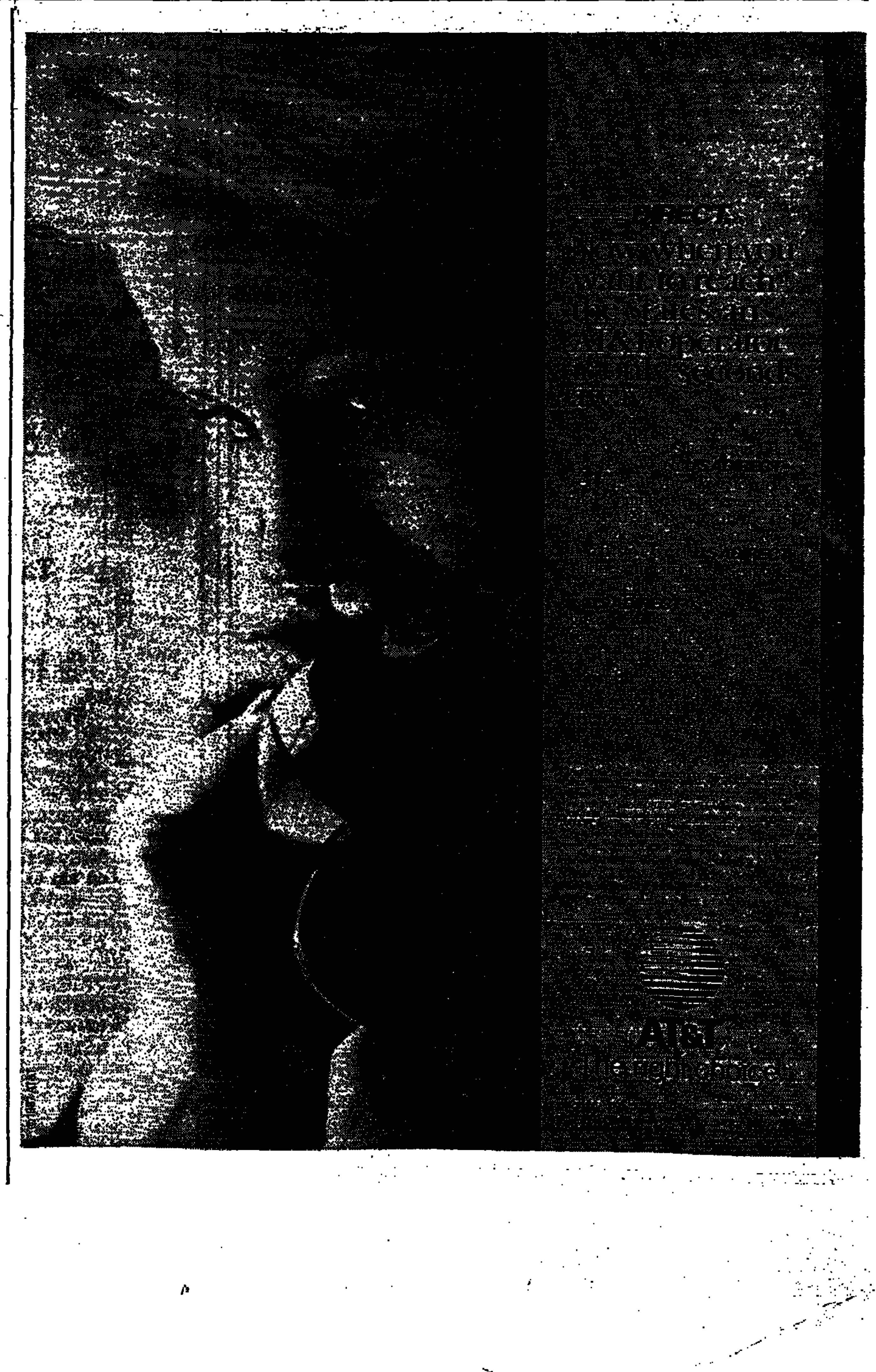

Soviet and Italian banks agree industrial venture

BY ALAN FRIEDMAN IN MILAN

TWO SOVIET state banks and two of Italy's biggest banks have agreed a 50-50 joint venture to provide corporate finance for industrial and trade ventures.

The agreement, designed to provide financial services, including the taking of equity participations in joint Soviet-Italian companies, is to be signed today in Venice at a conference on East-West trade.

The two key banks involved are Gosbank, the Soviet central bank, and Banca Commerciale Italiana (BCI), Italy's second largest banking group. Also involved in the ground-breaking venture are Vneshtorgbank, the Soviet foreign trade bank, and Mediocredito Centrale, the Rome-based medium-term credit institute heavily involved in export finance.

BCI said in Milan that the the venture was "a concrete example of what Mr Gorbachev's new policies are all about." It would "go well beyond mere trade deals and will be designed to create industrial projects between our two countries with Italian entities eventually having shareholdings in Soviet companies."

The Italians claim the venture, details of which are to be agreed by a working party, will lead to unprecedented mixed capital joint ventures. The agreement comes less than a month after a similar arrangement was agreed between the Soviet banks and Credit Lyonnais, the third largest French bank.

Last year Italy suffered a L1,050bn (£499m) trade deficit with Moscow, compared with a a deficit of L2,700bn in 1985. This was partly due to the lower cost of gas purchases from the Soviet Union.

● A huge tax liability relating to foreign exchange, dating from 1979, which threatened Banca Commerciale Italiana and a number of foreign banks in Italy, has been dismissed by a Milan tax tribunal. The court's ruling, overturning a levy imposed in 1985, will save the bank L50bn.

Scalfaro talks point to early elections

By Alan Friedman in Milan

MR OSCAR LUIGI SCALFARO, the outgoing Interior Minister who on Friday was asked by Italy's President Francesco Cossiga to form what is expected to be a caretaker government, reports today on a weekend of consultations which point to early general elections.

Mr Scalfaro, 68, a Christian Democrat, spoke yesterday of possibly forming a government which would remain in office during the election period.

Although the Socialist Party of outgoing Prime Minister Bettino Craxi continued yesterday to insist on forming a "genuine Government," Mr Ciriaco de Mita, the embattled leader of the Christian Democrats, made clear his preference for general elections.

The 16 Christian Democrat Ministers in the outgoing Craxi Government resigned en bloc last Wednesday, leading Mr Craxi to resign a day later.

It was the second time Mr Craxi resigned as prime minister — the first time on March 3, under pressure from the Christian Democrats to honour an informal agreement last summer to hand over the premiership.

Mr Scalfaro, who was named Prime Minister-designate on Friday evening, after Mr Amintore Fanfani, President of the Senate, refused the same offer from President Cossiga, will report to the President this afternoon.

A row has flared over an expected wave of Soviet emigrés, **Andrew Whitley** writes

Jewish emigration high on Shultz agenda

WHEN Mr George Shultz, US Secretary of State, arrives in Moscow early this week, the contentious issue of Soviet Jewish emigration will, once again, be near the top of his agenda in talks with Soviet officials.

Coinciding with the important Jewish festival of Passover, the significance the US Government says it attaches to the issue will be symbolised by the Passover meal Mr Shultz is scheduled to share in Moscow with a selected Jewish "refusenik" family.

With the doors virtually closed since 1979, when 50,000 Soviet Jews were permitted to emigrate, in recent weeks the Soviet Union has signalled its readiness to permit a renewed outflow of at least some of its Jewish citizens. In the first week of April alone, 120 were allowed out, compare with 914 in the whole of last year.

Israel claims that up to 400,000 Soviet Jews have applied to leave their homeland. Many fear that when the backlog of prominent "refuseniks" is cleared, the doors will once again close.

Anatoly Scharansky

Deeply worrying

But, just as Moscow has begun to move, an acrimonious —and highly embarrassing— dispute has flared up between Israel and Diaspora Jewry for control over the prize.

When two prominent North American Jewish leaders, Mr Edgar Bronfman and Mr Morris Abram, recently returned from the Soviet Union proclaiming that they had secured the freedom of some 12,000 Jews, they were immediately attacked by right-wingers in Israel for selling out the cause.

Israel claims that up to 400,000 of the estimated 2.5m Soviet Jews have applied to leave their homeland. What many here fear is that once the backlog of prominent "refusnik" cases is cleared, the doors will once again slam shut.

In his meetings in Rome last week with Soviet officials attending the Socialist International conference, Foreign Minister Shimon Peres is reported to have stipulated that, at the minimum, Israel wants to see Jewish emigration return to an annual level of 30,000-50,000 over several years.

But beyond the hard bargaining over numbers, what is dividing the Jewish world into two warring camps is the highly touchy issue of where the Soviet emigés will end up, once they manage to leave. As is so often the case, Prime Minister Yitzhak Shamire, finds himself at the thick of the controversy.

If the Soviet Jews do not come to Israel, "there's no importance in their migration," Mr Shamir said earlier this month. Never the most diplomatic of politicians, the Likud Prime Minister was simply putting into words the resentment many Israelis feel over those foreign Jews who plump for the material blandishments of the US rather than help build the Jewish homeland.

Hardline Zionists like Mr Shamir insist that it is an obligation on all Jews to emigrate to Israel.

The reaction to Mr Shamir's remarks in the US and among Soviet emigré groups in Israel, the latter usually numbered among Mr Shamir's closest supporters, was one of outraged indignation.

"We must be concerned about Jews being free and having the opportunity to live in the free world, as well as encouraging them to come to Israel" said Mr Anatoly Shcharansky, the prominent former Soviet dissident who now lives in Israel.

But, like other Soviet exiles, Mr Shcharansky also remains deeply suspicious of Mr Mikhail Gorbachev's true intentions towards Soviet Jewry.

What troubles Israel is that over the past decade up to threequarters of those Jews who have been permitted to leave the Soviet Union, all with exit visas stamped for Israel, have "dropped out" in transit.

Taking place against the background of deeply-worrying population trends—a declining Jewish birth rate within Israel and net emigration from the country—combating the "drop-out" phenomenon has become a top national priority.

On the other side of the fence is the 6m-strong Jewish community in the US, backed up strongly by the State Department, defending the principle of freedom of choice.

Vienna, the traditional waystation for Eastern Bloc exiles, is where the real tooth-and-nail competition between the two camps has always taken place.

Here the Jewish Agency, acting for Israel, and the Hebrew Immigrant Assistance Society (HIAS), championing the American option, run rival transit centres where they woo the bemused new arrivals with their different wares.

Hias is much the more successful, partly, as Israel complains, because it can offer the emigrés the much-coveted US refugee status. Recent attempts by Mr Shamir to persuade the US Government to drop this status were turned down flat by Washington.

Switching tack, Israel is now concentrating its efforts on arranging for direct flights from Moscow to Tel Aviv. Bucharest or Warsaw are under discussion as intermediary stop-over points where the chartered El Al aircraft could pick up their cargoes of potential new Israelis.

Master plan

Once here, the Government and the Jewish Agency are well aware that this time they must go out of their way to ensure that jobs and attractive housing in major cities must be available.

In the past, immigrants have frequently been consigned to primitive absorption centres in remote development towns, engendering considerable disillusionment.

A $250m (£178m) master plan to cope with the expected wave of new arrivals has been drafted, and the Jewish Agency has begun renting empty flats in Jerusalem and Tel Aviv.

Criticised with justification in the past for being bureaucratic and unwieldly, Israels immigration absorption machine is now gearing itself up for what could turn out to be one of the most critical challenges it has ever faced.

SHIPPING REPORT

Shortage of new business in tanker market

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

THE DRY cargo market retained a firm tone last week, in spite of a lower profile on the part of Soviet charterers, but there was a general shortage of new business in the tanker market.

Denholm Coates, the London brokers, said the Soviet chartering programme for grain imports appeared to have slowed, but rates had held steady for cargoes of grain from the US Gulf to Japan.

Panamax vessels, the largest able to transmit the Panama Canal, were said to have been fixed at $17 per ton for this trip. The US/Continent rate was around $8.50 for ships of 55,000 deadweight tonnes, but a cargo of 75,000 tonnes was fixed at $8.05.

Bulk carriers of the 25,000-40,000 tonnes size were said to be enjoying continued good rates in both the Atlantic and Pacific, and the 'tweendeck market was said to be active on both timecharter and voyage bases.

In the tanker market, Galbraith's, the London brokers, said few fixtures had been reported, but rates were likely to hold fairly steady throughout April.

Middle East demand was said to be poor, but some additional business was reported from West Africa, the Mediterranean and the Caribbean. North Sea rates were said to be disappointing.

World Economic Indicators

UNEMPLOYMENT

		Feb. 87	Jan. 87	Dec. 86	Feb. 86
US	000s	7,967	8,023	7,949	8,405
	%	6.7	6.7	6.7	7.2
UK	000s	3,226	3,297	3,229	3,337
	%	11.8	12.1	11.9	12.3
W. Germany	000s	2,489	2,497	2,218	2,593
	%	9.1	9.1	8.1	9.5
France	000s	2,699	2,729	2,689	2,493
	%	11.6	11.7	11.5	10.7
Italy	000s	3,335	3,330	3,277	3,239
	%	14.5	14.5	14.3	14.1
Netherlands	000s	709	713	705	750
	%	12.4	12.4	12.3	13.1
Belgium	000s	508	531	533	521
	%	12.4	12.9	13.0	12.7
		Jan. 87	Dec. 86	Nov. 86	Jan. 86
Japan	000s	1,820	1,610	1,590	1,650
	%	3.0	2.9	2.8	2.7

Source (except US, Japan): Eurostat

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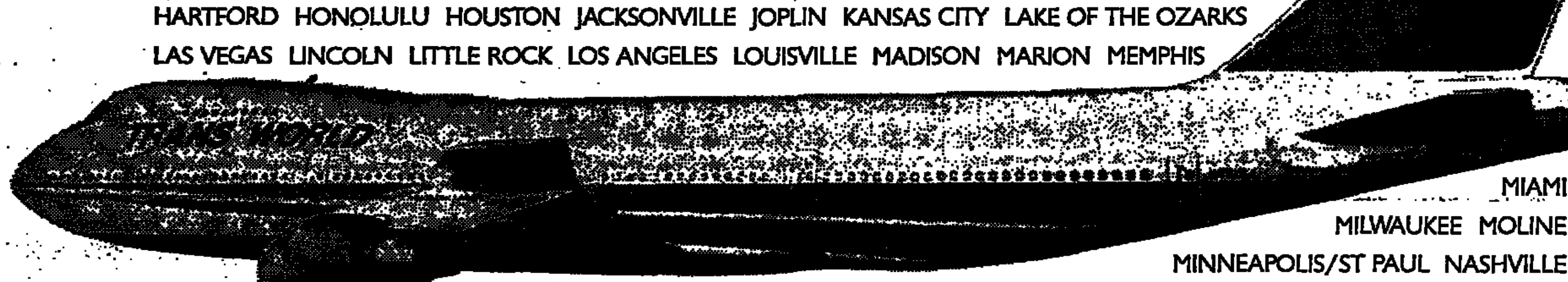

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BOC and Osaka Oxygen

Giving the breath of life

Ian Rodger explains the UK industrial gases group's strategy in Japan

WHEN THE directors of Osaka Oxygen (OSK) decided a year ago to implement a large-scale redundancy programme, Kaneo Suzuki, the chairman, apologised to his fellow directors and to his employees for having managed the company so poorly that such a shameful move had become necessary.

Suzuki's explanation was typical of Japanese corporate behaviour in such a situation. Company directors in Japan take responsibility for their employees' lives almost in the same way they take responsibility for their own families. The explanation was also true. OSK is a case that provides rare insights into some of the weaknesses of Japanese industrial management, including overmanning, poor financial control and ponderous decision-making processes.

Until now, Western analysis of Japanese management practices has concentrated on the successful big internationally oriented companies, such as Toyota, Honda, Matsushita and Komatsu. These companies, because they are competing every day with the best US and European manufacturers, have had to shed many traditional Japanese practices and have developed some exciting new ones, such as "just-in-time" assembly and quality circles, in the process.

But below that international level, as OSK shows, management in Japan can be as dreary and unimaginative as anywhere else.

The problem for would-be analysts of these companies is getting access to them. In OSK's case, it has become possible because BOC, the British multinational industrial gases group, bought a controlling stake in the company in 1982.

OSK, a medium-sized company with sales of about Y40bn (£163m), is ranked a weak third in Japan's industrial gases industry. Nippon Sanso, the industry leader, has a 40 per cent market share. Teisan, controlled by France's L'Air Liquide, has about 15 per cent, while OSK and Daido, in which Air Products of the US has a 25 per cent stake, each have about 10 per cent.

So far, this sector profile is similar to that in the gases industry in most Western countries, showing a high concentration among a few multinational and local players. But there are two important differences in Japan. First, there are another 25 or so competitors with minuscule shares. Second the industry is technologically backward.

A measure of sophistication in the industrial gases sector is shown by the relationship between oxygen and nitrogen sales. Oxygen is associated with steel and other mature, heavy

The OSK plant at Amagasaki: BOC took time to explain the rationalisation and implement redundancies

industries, while nitrogen is used in more advanced industrial processes. In the US and Western Europe, nitrogen sales tend to be about three times those of oxygen. In Japan, the ratio is about one to one.

OSK's position within the industry was even weaker than its share would indicate. For one thing, it can only just be called a national company. All its plants and about half of its industrial gas sales are made in the Kinki region between Osaka and Nagoya. Also, the company makes only 40 per cent of the gas it sells, buying the rest from competitors.

When BOC arrived, OSK had just lost the chance to redress that situation a bit. A competitor was quicker to seize an opportunity to build a new separation plant in a developing area in western Japan. Moreover, OSK was excessively dependent on two industries, steel and semiconductors, for its sales of oxygen and nitrogen, respectively, and it was significantly overmanned compared with other companies in the sector.

Not the ideal vehicle, then, for a foreign company entering Japan. But the fact that OSK was stagnating was probably one reason why the controlling Suzuki family was willing to consider favourably the injections of capital and technology that BOC could provide. Takeovers are rare in Japan, and the takeover of a Japanese company by a foreign company was almost unprecedented.

BOC invested £30m in OSK convertible debentures, giving it 42.5 per cent of the Japanese company's shares and the right of first refusal on any Suzuki family share sales up to 50 per cent. However, BOC was given effective control, with the right "to be consulted" on any investment over $1m.

The emphasis in the early days of the relationship was on appearances and demonstrations of mutual respect. OSK quickly adopted the BOC logo, for example. Simultaneous translation into English was provided for board meetings.

But beneath the surface, not much happened. Suzuki carried on as president until 1984 and then appointed his administrative assistant to succeed him; they carried on the old practices. Last May, BOC got impatient and appointed Masataka Tamura to replace him. A former Boston Consulting Group consultant who had worked for BOC on the OSK project, Tamura had joined the the company in December 1983 as planning director.

He recalls that communication between BOC and OSK was extremely difficult in the first few years. BOC would talk about concepts like market development and cost control, and OSK managers simply would not understand.

Their experience told them that the industrial gases industry was a service industry. You waited until the steelworks made an order and then you arranged for a subcontractor to take care of distribution. (Distribution is a vital part of a gases business, but OSK did not manage it at all, a situation that has since been rectified.)

The idea of going to, say, a motor components maker and trying to convince him to use nitrogen instead of propane for his heat treatment process was alien to them.

Similarly, the idea that success depended on cost competitiveness had never occurred to them.

BOC tried to impose a market development function, but immediately ran into the formidable ringi system. Under this system, common to most Japanese companies, proposals for changes in policy or work practices must originate on the shop floor or in the department concerned. They must then be discussed within the department. Only when every member of the department has indicated agreement by placing his stamp (ringi) on a proposal document can it rise to the next level where the process is repeated.

Even a simple change can take months to gain sufficient approval to reach board level. And when it does, no director would dare change it.

BOC's way around this system was to create a task force on market development. It plucked some promising young people out of the sales force and set them up as a separate department to develop new customers, supplying them with new technologies brought from the UK and the US.

"For two years, the traditional salesmen did not believe we could develop new customers," Tamura says. But now that some big names, like Toyota and Hitachi, are being signed up, they are realising that this is a worthwhile policy to pursue.

Another problem was setting up a strategic planning function. It was obvious to BOC that OSK had to become more productive, both through investments in more efficient plant and manpower reductions. It also had to examine its position in the industry and set targets for development.

A task force was again set up, using five bright, young people from within the company. Established in 1985, the group spent a year under the direction of a BOC planner sent from London. It studied the Japanese market and visited BOC plants elsewhere.

The group concluded early last year that OSK should move speedily to develop new markets while rationalising existing operations, especially the gas equipment manufacturing divisions. Manpower would be reduced from 1,000 to just under 800 people.

Until a few months ago, redundancy was virtually unknown in Japanese industry. Since the rapid rise of the yen began hitting exports, though, many companies in traditional heavy industries have begun shedding labour, but last March it was still an extraordinary action for a company in reasonable financial health.

"We expected a lot of resistance, not only among employees, but also among board members," Tamura recalls. To BOC's surprise, the plan was approved without opposition from the board or management. But the implementation was delicate. As a newcomer, BOC felt that before proceeding with the redundancy plan, it first had to demonstrate its commitment to OSK's future.

Thus, last May OSK announced that it would invest Y5bn (£20m) in a new air separation plant that would be the most efficient in the industry. It also moved the head office out of a satanic old building and into a modern office block.

The Japanese approach to redundancy is significantly different from that of US or European companies, again reflecting the familial nature of a company. First, compulsory redundancy is out of the question. Second, it was not enough for OSK to offer generous severence payments and early retirement terms. It also had to undertake to find other jobs for the redundant workers.

The company has some 10 subsidiaries that supply various services, such as installing pipework for vessels and servicing equipment on customers' premises. It was able to place many mechanical trades people plus some management staff in these subsidiaries. Other redundant managers and sales staff were placed with dealers, partly in an attempt to improve the distribution network.

In these transfers, employees took salary cuts of anything from 20 per cent to 40 per cent, but that was acceptable, especially as they also received a lump sum payment of 2.5 to 3 years' salary. A typical annual salary for OSK middle managers is about Y6m (£25,000).

Tamura says about 80 people have been transferred to subsidiaries, another 60 to dealers and other outside companies and 40 have taken early retirement, all with scarcely a whimper.

"Most people really understood the OSK situation," he says. In retrospect, the rationalisation has proved to be even more timely than expected. Because of the rapid increase in the yen, the steel and other big customer industries have slumped, causing a severe recession in the gases industry.

Tamura says OSK shipments in the last six months are 15 per cent lower than in the same period of 1985-86, and he expects further declines. However, OSK profits are starting to recover, while those of its competitors are still sliding.

Despite its progress, OSK still has a long way to go. Its oxygen-nitrogen ratio, for example, has swung from 2:1 to 1:1.5, but that is more because of the decline of oxygen sales than the effect of its promotion of other products. The struggle to build volume and market share — and, in particular, to expand into the rich Tokyo area market — promises to be a long and hard one unless the company can develop some form of co-operation — joint venture, merger, production sharing — with a competitor.

BOC believes that the current recession will prove too much for some of the small companies and so takeover opportunities will soon arise, but Tamura is less optimistic. He thinks things will evolve very slowly, and that the company will have to spend a lot of time getting to know and understand any potential candidate — just as BOC has had to spend a lot of time getting to know OSK.

Strategic perspectives: the crucial factor in decision making

BY CHRISTOPHER LORENZ

IN A BID to cut costs, an American maker of printed circuit boards experimented with a new type of production process. When its engineering team had finally debugged the process, it told management that the new technology would actually increase unit costs, by as much as 30 per cent.

In operational terms, the new process was obviously unattractive. But strategically, it gave the company a chance to make a major breakthrough. For it could produce not only the existing range of products, but also denser boards of better quality that could be sold at high margins in a speciality market.

A manufacturing decision that might be downright stupid in operational terms alone may look very different when seen from a strategic perspective, argues Elizabeth Haas, a principal of McKinsey & Co, the management consultancy.

Most manufacturing decisions, says Haas, are still taken in an operational framework defined by a company's internal performance standards — machine downtime, scrap rate, work-in-progress, inventories, and so on. But the real test of manufacturing decisions is their strategic impact on the company's performance in the dog-eat-dog world of global competition, where "positive differentiation" is all-important, even if it defies operational logic.

Writing about "breakthrough manufacturing" in the latest issue of the Harvard Business Review*, Haas claims that most US manufacturers "are still the slaves of operational necessity." When a new product is introduced, when volume fluctuates, or when costs have to be cut, they make operational changes. Over time, these changes may marginally enhance a company's competitiveness or at least slow its erosion. But "rarely, if ever, do they add up to a coherent strategy for gaining an edge over the competition."

The difference between an operational and a strategic perspective is immense, says Haas. It is the difference between asking "How can we do it better than before?" and focusing on "How can we use it to beat the competition?". Managers who are preoccupied with optimising the operational bits and pieces — reducing machining time here, paring labour costs there—tend to be blind to the big strategic opportunities.

Only by managing the operational components as an integrated system, argues Haas, can manufacturers exploit their full potential for delivering added value to their customers through lower prices, greater service responsiveness, or higher quality.

Haas points to a long list of companies which have followed the strategic approach of the printed circuit board maker, and been rewarded with hefty gains in market share. For instance Kennemetal, a US carbide tool manufacturer, had to change to a costlier production process to meet its product quality target of zero-defects; but six months after it introduced the new standard, it had doubled its market share.

Equally telling are Haas' accounts of the disasters which companies have experienced by taking one type of decision in isolation of others. She tells how Western Electric (now AT & T Technologies) ran into a host of problems after it installed new computer-integrated equipment to remedy a quality problem, but without making adequate changes to purchasing, production control and maintenance procedures. Success only came when Western Electric set up a full-time, high-level team to oversee the installation, and set about changing people's habits and assumptions.

What Western had failed to do was understand the interrelationships between the eight broad areas of manufacturing which Haas identifies: product design; process design; facility and plant configuration; information and control systems; human resources; research and development; suppliers' roles and relationships; and organisation.

Properly linked, decisions in these areas can create a commanding strategic advantage, Haas concludes. But for those misguided companies which continue to seek salvation in operational improvements, "the long-term outlook is bleak."

*BR March-April 1987. Reprint No. 87205. From HBR, Boston, USA. Tel.: 617-485-6192. Telex: 7103210073.

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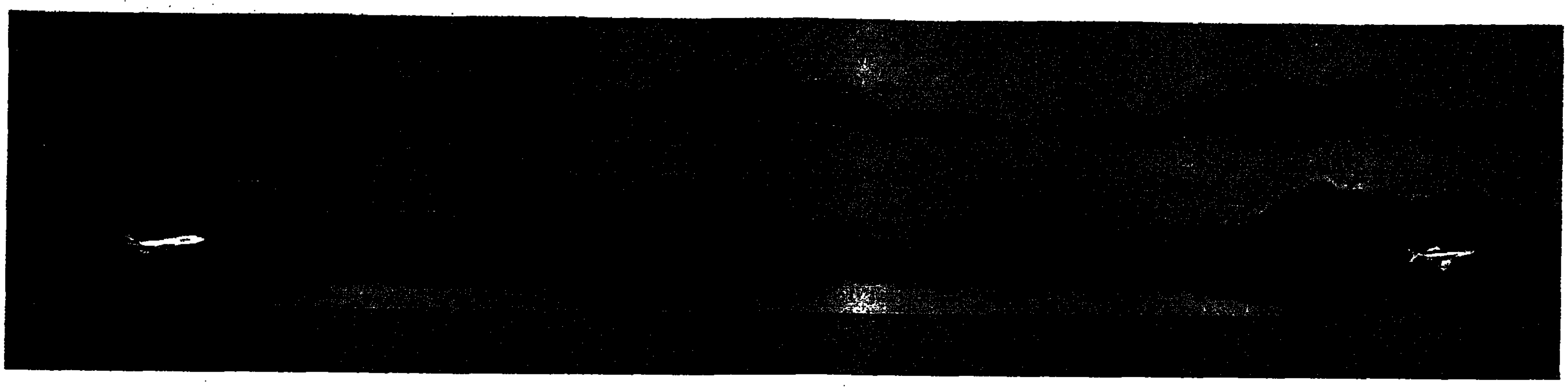

IT'S SILLY TO DRINK YOURSELF STUPID. AT 35,000 FT, IT'S CRAZY.

Two alcoholic drinks in the sky have at least the same effect as three at sea-level. (Ask any stewardess.)

Because the atmospheric pressure in an aeroplane is lower than it is on the ground the alcohol gets into the bloodstream faster, and the higher you are the higher you get. (Even in a modern jet, the cabin pressure at 35,000 feet is the same as the outside pressure at about 7,000 feet.)

Alcohol also affects the body's ability to use oxygen efficiently. (So does smoking). And since there's less oxygen floating around in an aircraft cabin, if you get a hangover it's really going to hang around.

So while a few drinks might make you feel all's well in the world, when you get down to earth you won't feel like getting down to business.

EAT, DRINK AND BE MERRY?

Even when everything's free, you can end up paying for it later. Studies have shown that in the air most people drink more than they do on the ground: and it's a bit of a vicious circle.

A long flight can get a bit boring, however comfortable it is. The drinks are free and you don't have to move an inch to get one. What's more, just *being* on a plane makes you thirsty. The humidity in an aircraft is as low as 2% whereas most of us are used to a level of around 30%.

Alcohol is not the solution. You need to drink much more than usual, but more water or fruit juice. And if you need a 'drink' to relax, have a glass or two with your meal and drink lots of water or juice in between – and any trips to the loo give you a chance to stretch your limbs.

(Qantas do serve free drinks, of course. And since we do, we think you ought to be offered the best. In fact, Business Traveller Magazine just voted our wines the best in the sky.)

Be careful what you eat, too. People eat on a long flight because it's there as much as from hunger. Or because they're too polite to refuse. (At Qantas we won't be offended – even though we prepare special menus for First and Business Class using fresh produce, never frozen. And even though, in First, there's a specially trained Air Chef.)

Above all, don't eat a full meal if your stomach still thinks it's 3 o'clock in the morning. It can't cope.

If you are hungry, avoid gassy foods like onions. The gas in your stomach has already been increased by the decrease in the cabin air pressure. Crossing time zones confuses the digestive system anyway without any extra help from you.

Should the temptations prove too great – and here Qantas can only apologize for the high quality of our food and drink – you have been warned. Overdo it and you'll land in Australia with your head in a state and your stomach in a turmoil. Or vice versa.

DOES IT MATTER WHO YOU FLY WITH?

The effects of drinking or eating too much will be much the same whichever airline you choose. And even if you don't touch a drop and watch what you eat, a flight as long as the one to Australia will still take it out of you because your biological clocks will be so out of time with the local ones.

A relaxed, comfortable flight will help. And so will making sure you don't rush straight into any meetings. (It also makes sense to arrange meetings at times when you'd be awake at home, otherwise you could be at a distinct disadvantage.)

At Qantas, we can't say our seats and our service, or our wine and our food are the best in the sky. Well we can, but you won't believe us until you've flown with us.

But we *can* say we fly more people to Australia than any other airline.

And we can say that we've been flying longer flights longer than any other airline. (In fact, apart from KLM we've been flying passengers longer than any airline, and we were the first to offer a separate Business Class.)

So if you're going all the way to Australia, try flying with Qantas.

And if you do have a drink on us, remember alcohol and altitude don't make the best cocktail. Because we'd really like you to arrive down under feeling on top.

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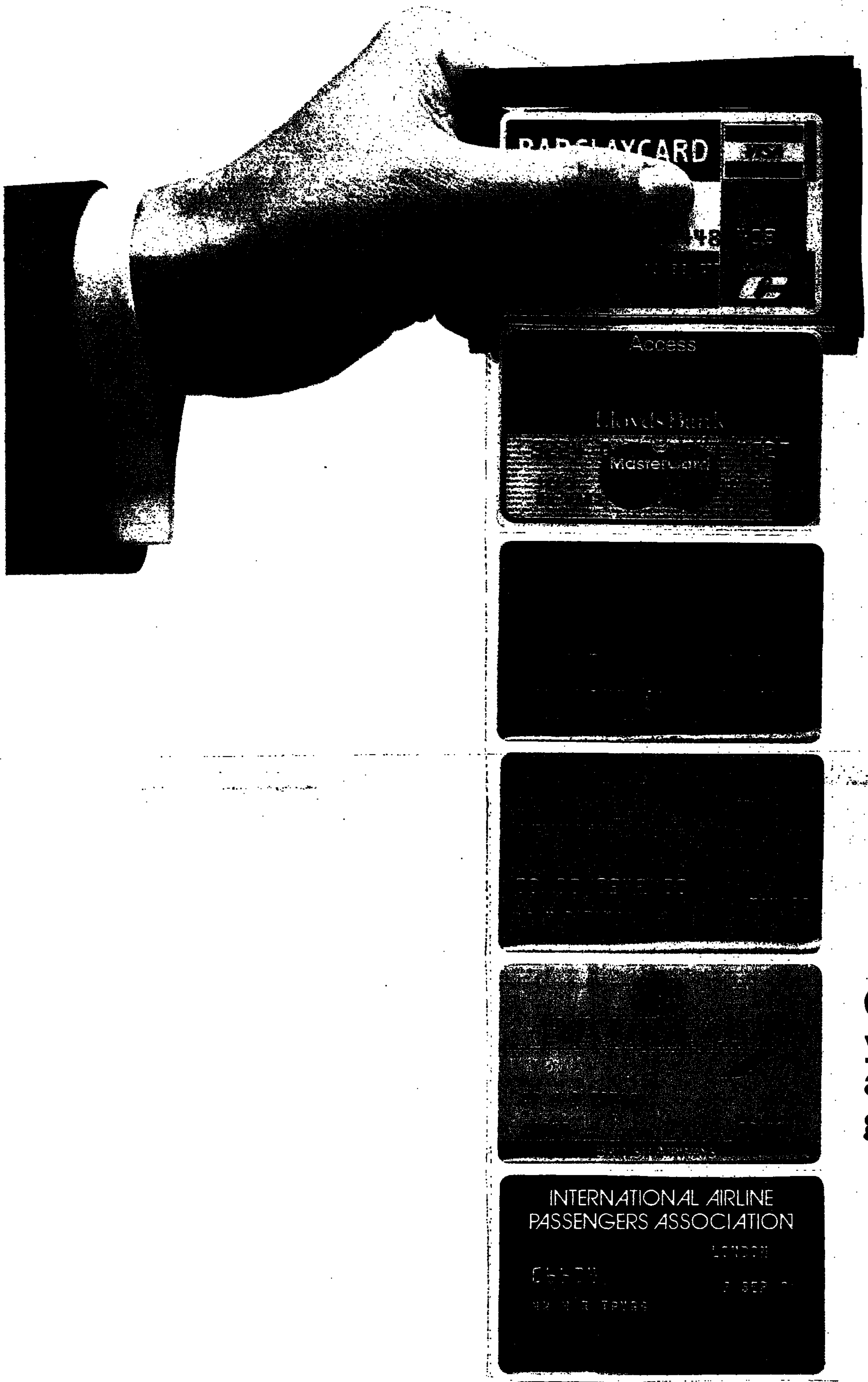

On SAS, you don't need a card to get good service.

Some airlines believe good service is a privilege reserved for the minority.

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The Businessman's Airline

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Advisers sacked at 'rapid rate' by pension funds

BY BARRY RILEY

PENSION FUND investment management houses are being sacked by funds at an increasingly rapid rate as a consequence of poor investment performance, according to Noble Lowndes, which operates a widely-used performance measurement service.

This covers some 950 pension schemes and includes data for more than 90 different investment advisory organisations.

The 62 changes of investment adviser recorded last year by Noble Lowndes' Investment Performance Monitoring Service (IPMS) represented a marked increase on previous experience. The company, which is part of the Hill Samuel group, says in its annual IPMS report: "This is healthy as it reflects increasing awareness of the financial importance of investment performance."

The report adds that the range of returns among portfolios in 1986 was the widest in the nine-year history of the analysis service. Most of the variation is blamed upon the selection of individual stocks rather than in the selection of different markets such as UK equities, gilts or property, although there was unusually high volatility here too.

The average pension fund, according to IPMS, earned a very comfortable rate of return of 24.3 per cent in 1986. But the best achieved 52.7 per cent and the worst only 7.6 per cent.

Noble Lowndes suggests that stability of the investment management team is the pre-eminent ingredient for success by an advisory firm. But it gives a warning that in 1986 there was a greater number of personnel changes among investment houses than in the past.

The survey says that some pension funds may be paying large fees for an active management service which they are not actually receiving. For the first time IMPS includes a risk analysis service designed to reveal when managers are so-called "closet indexers" – running a diversified fund which has no real hope of beating the index.

According to the report there was considerable evidence that several of the fund managers were running "closet" index funds. Their portfolios differed very little from the market as a whole, but fees charged were based on a philosophy of attempting to out-perform the market.

Profit-sharing at Heinz

BY OUR LABOUR STAFF

HEINZ, the convenience food manufacturer, plan to introduce a profit-sharing scheme next month. It was negotiated individually with 3,750 employees, rather than through formal union channels.

The company says the scheme, called "prosperity sharing," will operate in addition to an annual bonus paid to workers. It will apply to administrative and research staff at the company's head office in Hayes, Middlesex, near London, and at two production plants.

Under the scheme, employees are offered a choice between a taxable cash payment or an allocation of company shares. Employee shareholders will be entitled to quarterly dividends on stock beginning in June, 1988, which are valued in US dollars and converted into sterling.

The cash payment and the rate of dividend are worked out by a formula which links annual pre-tax profits with a productivity measure. The lump sum payment, or share allocation, is made proportionate to employees' existing wages.

In return, the company has asked employees to increase efficiency by accepting more flexible working arrangements, and to "use their own initiative" to increase productivity in their specific jobs. It says the incentive to do this exists because the prosperity payment depends on increasing productivity.

Deutsche Bank exploits 'good business climate' in Britain

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

DEUTSCHE BANK has re-evaluated its overseas policy in the light of what it describes as Britain's economic recovery and an improving business climate brought about by lower taxation and competitive unit costs.

The bank has embarked on a programme of expansion in Britain by opening a regional office in Manchester to help increase its penetration of UK markets.

The new branch will have a natural market of Anglo-German corporate business – there are 120 subsidiaries of German companies in the north of England – but it also hopes to pick up new customers and make some direct investments, possibly in high-technology fields. It will report to the bank's office in London.

The branch will serve the whole of northern England and, if successful, will herald expansion into other British regions. Bristol, with its ready access to the western half of the M4 motorway corridor, is high on Deutsche Bank's list for growth. Edinburgh, Birmingham and Leeds may also be considered.

The bank officially begins its first full week of business in Manchester today, although it moved into its new offices in Ship Canal House – at £8 per sq ft the city's most expensive and prestigious property – at the beginning of the year.

Mr Hilmar Koppar, the Deutsche Bank main board director responsible for international business, says: "We have confidence in the economic policy of Britain. There is a good business climate and there has been noteworthy productivity growth. Wages are low and so is taxation."

Mr Koppar, who has personal experience of England's north west as a director of Pilkington Brothers, the glassmaker, said that Labour costs per man hour in West Germany were now £8.37 versus £5.50 in the UK. The top British corporate taxation rate was 35 per cent, against Germany's 56 per cent.

"These things have led to a re-evaluation of our policies abroad," he added.

The bank thinks that parts of the north offer great potential. Mr Koppar said: "We believe that the region's economy is undergoing a transformation. We are aware of existing problems but we think that unemployment is going to turn for the better."

He found prospects in high technology sectors particularly appealing.

Pace of management buyouts slackens

BY RICHARD TOMKINS

THE HECTIC level of management buyout activity seen over the last few years has gone into a sharp decline in the first quarter of 1987.

Figures to be published today by Peat Marwick McLintock, the accountancy firm, will show that there have been only three buyouts worth £10m or more in the first three months of this year compared with 10 over the same period last year and 29 in the whole of 1986.

The buy-out of Wickes for $124m at the end of March was Britain's second biggest (after Lawson Mardon's for £280m in 1985), so the total value of buyouts in this year's first quarter has reversed the decline which became apparent towards the end of last year.

However, Mr David Carter, Peat Marwick's head of corporate finance services, said it seemed inescapable that the overall trend of buyout had turned downwards, at least temporarily.

"It will still need either a few more very big buyouts, or numerous ones in the £10m to £25m range, for 1987 to achieve the record of £1.15m achieved in 1986."

Mr Carter said the main reason for the drop in buy-out activity was cost. The recent high level of the stock market had made it easy for quoted companies to out-bid management teams trying to buy their own companies, and had had the effect of raising the price expectations of vendors.

With interest rates at present levels, only a management team anticipating unusually rapid profits growth could afford to pay these high prices and still hope to break even after meeting debt charges.

"The logical consequence of this is that there is unlikely to be a pick-up in buyout activity until there is a fall either in interest rates or stock market price/earnings ratios."

Management buy-outs have risen rapidly in popularity since the beginning of the 1980s. This is partly because many conglomerates, after years of growth through acquisition which has been given fresh impetus by the recent wave of mergers, have been trying to rid themselves of subsidiaries which do not fit in with their mainstream activities.

The trend has been accentuated by a relaxation in company law which took place in 1981 allowing companies to raise finance for acquisitions on the security of their underlying assets. This allowed the import of the US-style leveraged buyout.

Acquisitions chief named by British Gas

By Max Wilkinson

BRITISH GAS has started to lay plans for an active phase of expansion outside its main UK business, if necessary by a series of substantial acquisitions.

Although the newly-privatised corporation does not appear to have any immediate purchase in view, it is prepared to spend a large amount of money, perhaps £1bn or more if it sees the right opportunity.

Mr Chris Brierley, the corporation's managing director in charge of economic planning, has taken on the job of developing new business and looking for suitable acquisitions. He is expected to look abroad for major acquisitions to countries such as Norway, the US and Australia.

British Gas is still bitter about the Government's decision to float off its North Sea oil exploration and production activities as Enterprise Oil. Although it could easily raise the £800m or so that would be needed to buy Enterprise back, this is not seen to be politically practicable.

Similarly any attempt to buy Britoil, the former production arm of the British National Oil Corporation (BNOC) would almost certainly run into political difficulties even if it were feasible in market terms.

Thatcher sets date for party 'pep' talk

By Peter Riddell, Political Editor

CONSERVATIVE parliamentary candidates from throughout the country have been summoned to a special meeting to be addressed by Mrs Margaret Thatcher, Prime Minister, on the Saturday after Easter, April 25.

She will give them a "pep" talk and set out various pre-election themes in what may be the last collective gathering of Tory candidates before a general election. The venue has been chosen away from London, to allow as many as possible of the candidates to attend.

Conservative Central Office officials stress that there is no intended implication for the choice of general election date and a similar session involving parliamentary candidates was held last autumn.

However, the arrangement of this session shows the desire of the Conservative leadership to keep open all options and to be prepared for a June general election if Mrs Thatcher decides to call one after the May 7 local elections.

Ahead of these elections senior ministers, and Mrs Thatcher herself, will be careful not to raise expectations about a June poll in case they decide to opt for the autumn.

The balance of expectation among most Tory MPs has now moved, with many qualifications and reservations, in favour of June rather than the early autumn. This is provided Tory support is at, or around, 40 per cent in the opinion polls and the SDP/Liberal Alliance stays in third place behind Labour.

A further sign of the Conservative leadership's desire to be prepared is that work is now well advanced on the writing of the election manifesto. Apart from ministers this involves Professor Brian Griffiths and Mr John O'Sullivan of the Prime Minister's Policy Unit in Downing Street, and Mr Robin Harris, the head of the Conservative Research Department, as well as Mr Stephen Sherbourne, Mrs Thatcher's political secretary.

Their main work now is trying to pull together into a series of simple themes, possibly under the slogan "The People's Choice," the varied radical commitments to which ministers are now agreed. These include the proposed major education bill, rates reform, privatisation of water, electricity and British Steel,

Financial Times Conferences

European Banking Conference

Milan, May 18 & 19 1987

This 1987 Milan conference follows on from a previous and highly successful forum in that City in 1984. Professor Mario Monti and Mr Jack Hennessy chair a platform of great distinction which includes On Bettino Craxi, On Giovanni Goria, Dr Raul Gardini, The Rt Hon Denis Healey and Mr Win Bischoff. Among the speakers on the Italian financial scene are Dr Guido Vitale and Dr Nerio Nesi. Mr John Goodwin, Mr Richard Lutyens and Mr Richard Lehmann are to cover the international markets and Mr David Suratgar and Mr Armen Kouyoumdjian will speak on the debt question. Dr Massimo Russo and Professor Alfred Steinherr are to give papers on the EMS and EIB. Mr Stephen Danzansky of the White House is to examine American European relations and Mr Winfried Spaeh, Mr Teruyoshi Yasufuku, Avv Mario d'Urso, Professor Gianni Zandano and Dr Luigi Arcuto are also on this year's platform.

International Collaboration in Aerospace

Paris, June 9 & 10 1987

The 1987 Financial Times aerospace conference will be arranged in association with Air & Cosmos immediately preceding the International Air Show in Paris. As the cost and complexity of modern military and civil aerospace ventures rise, international collaboration in the aerospace industry has been expanding rapidly. This conference will examine the difficulties involved in establishing major collaborative ventures and the benefits that such ventures can bring to their participants. The opening address will be given by Mr Jacques Benichou, President of GIFAS. Other speakers include Mr Jean Pierson of Airbus Industrie, Mr James Johnson of Boeing Commercial Airplane Company, Mr Ozires Silva of EMBRAER, Mr Frans Swarttouw of Fokker, Mr John Wragg of Rolls-Royce plc and Mr Jean Sollier of SNECMA.

World Gold

Venice, June 22 & 23 1987

Dr Lamberto Dini, Dr Chris Stals and Lord Chalfont are three of the speakers featured at World Gold, one of the most important annual FT events. Mr Robert Guy and Mr Dennis Suskind are to chair and Mr Tom Main, Mr Urs Seiler, Mr Rolf Willi and Mr Robert Calman are among the other contributors on a platform of great authority.

All enquiries should be addressed to:

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UK NEWS

Disruption may cost jobs, says Shorts

By Our Belfast Correspondent

SHORT BROTHERS, the state-owned aerospace company, has warned its 7,000 employees in Northern Ireland that continuing disruption from unofficial industrial action could lead to a loss of more than 2,000 jobs over the next two years.

In a letter to all employees, Sir Philip Foreman, chairman and chief executive, said the company would not be able to implement its present corporate plan if a large proportion of the labour force was interested only in increasing earnings without giving value for money.

He said workers who insisted on wage increases without anything in return were "choosing the road to unemployment." Short Brothers is Northern Ireland's largest single manufacturing employer, but it has been dogged in recent months by walk-outs and overtime bans by various sections of the labour force. Full-time union officials admit privately that they are concerned about industrial relations within the company.

Sir Philip took the unusual step of appealing directly to employees and, at the same time, seeking agreement from the unions on a new wages structure which he hopes will solve some of the problems.

He said there were serious dangers from the increasing tendency for groups of workers to walk out when they were dissatisfied with a company response on any issue and from overtime bans in support of wage claims. This action was against agreed procedure and damaged customer confidence.

Sir Philip said he had told the unions there was simply no money to meet wage claims. "The fact is that with a £35m loss in 1985–86 and further losses in 1986–87 employees as a whole are not earning what they are paid at present, let alone being entitled to a further increase," he said.

The company's wages were already more than £20 a week higher than similar workers were paid elsewhere in Ulster. Shorts had offered the unions a package to cover changes in the wages structure, working practices and flexibility. There was an opportunity for increased earnings provided they were accompanied by increased output, he said.

AIDS treatment takes toll on Wellcome

BY TONY JACKSON

AZT, the first drug available on prescription for the treatment of AIDS, has been on the UK market for 10 days. In that time the shares of its manufacturer, the Wellcome Foundation, have dropped steeply, knocking 15 per cent off the company's market value at one stage before recovering half of the fall.

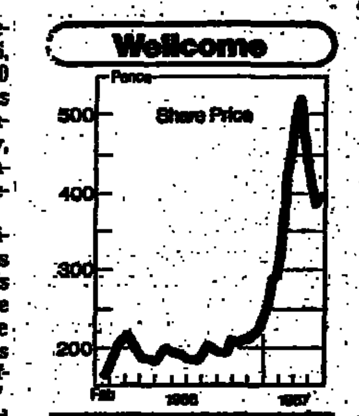
Wellcome professes itself mystified by this. There have been press rumours of bad news on the drug's side effects and selling by Japanese investors. But, says Wellcome: "We have nothing in the publications pipeline to indicate any new side-effects beyond those already known."

The known effects seem bad enough. Among the more recognisable ones mentioned in Wellcome's own literature are anaemia, nausea, headache, rash, abdominal pain, fever, vomiting, insomnia and anorexia.

The same literature bears reminders of how quickly the drug has been brought to the market. No data is available, Wellcome says, on the use of the drug in children, pregnant women or people with kidney or liver trouble. No data is available on acute over-dosage.

The drug is also exceedingly expensive. The recommended dose of up to 300mg costs £4.30 a shot, every four hours. In the US, where the drug has been on the market since late March, Wellcome quotes an annual cost of up to $10,000 (£6,200), depending on the dosage and the pharmacist's mark-up.

The drug can undoubtedly prolong life – some critically ill patients have been on it for over a year – and it has shown itself capable of at least partly reversing the dementia which so often attacks AIDS victims. But it does not kill the virus, merely hinders its reproduction. It is, therefore, only a treatment, not a cure.



But although the drug works badly and costs a lot, Wellcome – in some ways the most altruistic and least commercially minded of all the big drug companies – can scarcely be blamed on either count. For the acutely ill AIDS patient there is unlikely to be anything else available for the next couple of years at least, and the drug is claimed to be extremely expensive to make.

The company is making efforts not only to find a better version of AZT, but to come up with combination treatments which may have fewer side effects and cost less.

Planned clinical trials include the use of AZT in combination with probenecid, an anti-gout treatment from the US drug company Merck which has been found in the past to enhance the effect of other drugs.

There are signs, Wellcome says, that probenecid slows down the metabolism of AZT. This has the effect of making the drug last longer, and could make it possible to reduce the doses.

Again, Wellcome is looking at combining AZT with interferon, the naturally-occurring substance which the company, among others, is developing as a treatment for a range of diseases including some cancers. Interferon has the effect of boosting the immune system, which AIDS attacks, and could, therefore, be combined with AZT for a double action.

Perhaps the most interesting combination, though, is with acyclovir, the pioneering herpes treatment which besides being the first truly successful anti-viral drug is also the biggest seller in Wellcome's portfolio.

Doctors treating AIDS patients had used acyclovir in the past, since herpes is not only common among AIDS patients but in their case can be life-threatening. It was noticed that the two drugs seemed to interact in some way, so that less AZT could be used for the same effect. Although it is not certain that AZT's side effects are dose-related, it seems very likely.

It does not follow, however, that the combination would be cheaper.

Citroen UK makes van debut

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

CITROEN'S UK subsidiary today enters the medium van market for the first time by launching a range of C25 vans, produced at the $170m Sevel factory at Val di Sangro in central Italy which the French company's parent, Peugeot, jointly owns with Fiat Italy.

Other versions of the joint-venture vans are already on sale in the UK, known as the Talbot Express through the Peugeot dealer network and as the Ducato via Fiat outlets.

The introduction is part of Citroen's expansionist drive in the UK which has already seen its car sales increase by nearly a third last year to 36,905 and has involved the successful introduction of a small, car-based van, the C15, of which 2,400 were registered in 1986, its first full year on sale in Britain.

Citroen UK has appointed 90 of its 270 dealers to handle C25 vans which will be immediately available throughout the UK.

The company expects to sell about 500 C25s during the rest of 1987 at prices ranging from £5,790 to £9,140, excluding VAT.

The C25, a front-wheel-drive van, has taken some time to arrive in the UK. It was first launched by Citroen in France in November 1981, but the company's British offshoot decided to enter the commercial vehicle business as recently as 1985 with the C15 van, based on the Visa car.

In the UK the C25 range consists of four types, two petrol and two diesel, with payloads ranging between 1,070 kg (2,360 lbs) and 1,510 kg (3,329 lbs).

The Citroen vans will compete in a sector dominated by the Ford Transit, with the Bedford CF and the Freight Rover Sherpa vehicles well behind in unit sales.

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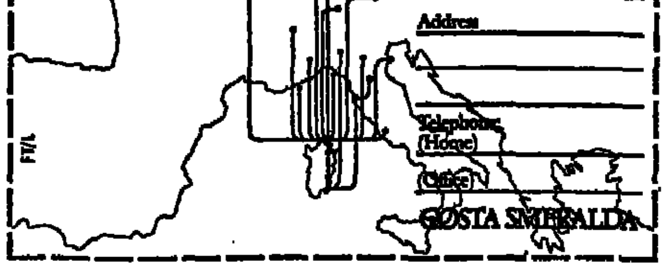

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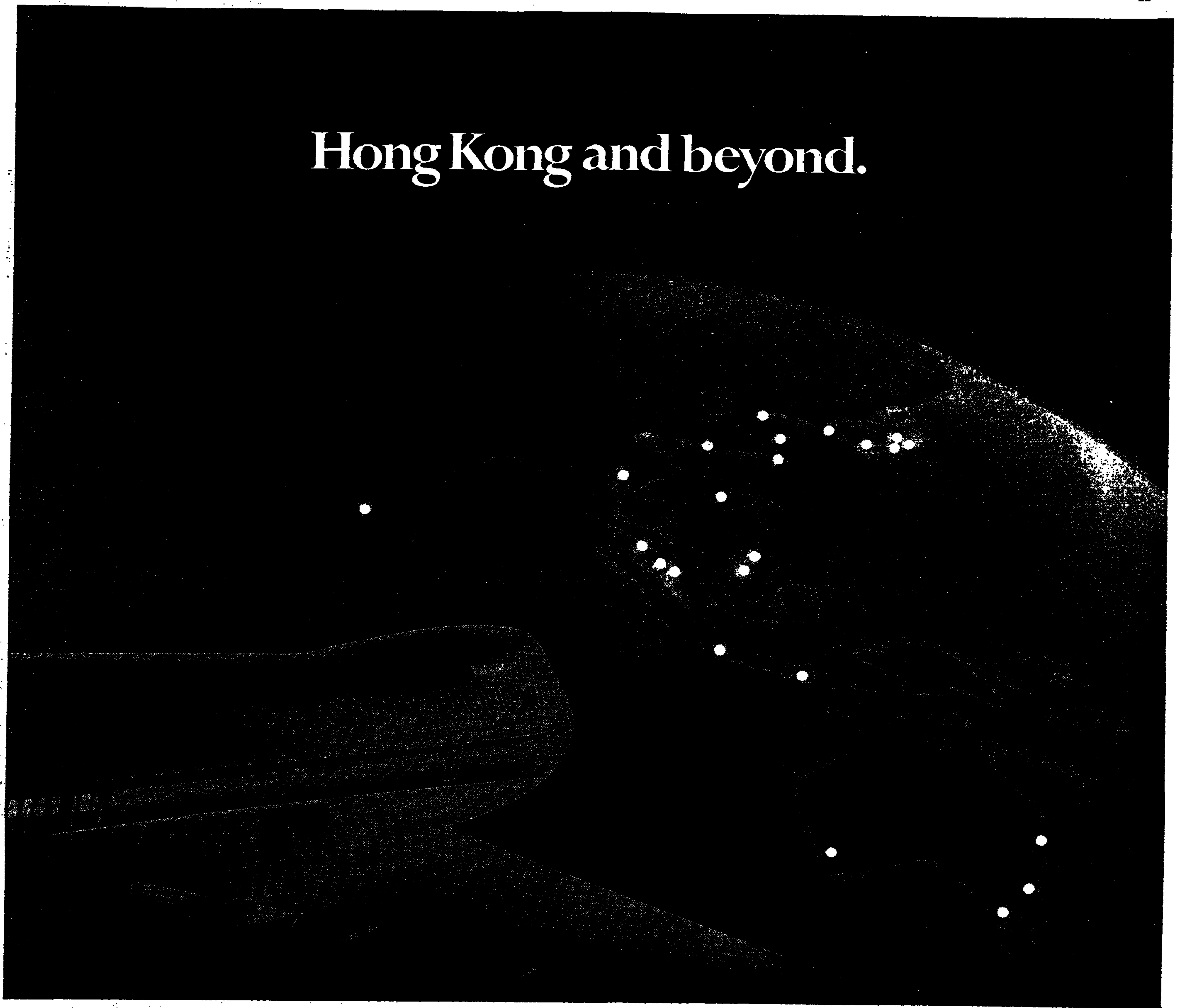

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Offshore supply hits rough waters

Kevin Brown looks at the collapse of a secret price-fixing deal among North Sea operators

NO-ONE in the North Sea supply boat industry is prepared to talk openly about the secret price-fixing agreement they called the Coffee Club.

However, there is no doubt that the participants saw themselves as victims of a market collapse and an uncaring government, rather than as rapacious conspirators.

"We are all losing a great deal of money. All we were trying to do was to stop rates absolutely falling through the floor," said a director of one of the leading companies involved.

"We were so desperate for a bit of income that we just had to do something like this to try to keep ourselves in business.

"There is a lot of difference between an agreement in a market where prices are below operating costs, and an agreement where the objective is to force other people out of business.

"We were not trying to do anyone else any harm – just to save ourselves."

Nevertheless, the Coffee Club participants appear to have been in breach of the Restrictive Trade Practices Act, which forbids verbal and informal price fixing, as well as more formal legal contracts.

Operators of international shipping services are specifically excluded from the act, but this section is not thought to cover the UK sector of the North Sea since it is wholly under British jurisdiction.

Price fixing is also generally illegal under the competition provisions of the Treaty of Rome. The EEC has developed exceptions for international shipping, but these do not extend to the offshore market.

Until recently, the offshore supply business appeared to have a bright future providing supplies, maintenance and marine support to the UK's 32 oil and 16 gas fields.

The industry's small but sophisticated and technologically advanced ships were described by the British Offshore Supply Vessels Association (Bosva) as the "umbilical cord" which kept the offshore production effort going.

Then came the oil price collapse of 1986, which led to a dramatic reduction in oil company exploration activities, and a fall in charter rates and demand for supply vessels.

The worst hit area was the North Sea, where the British companies already faced tough competition from overseas owners – chiefly US, West German and Norwegian.

The impact has been hardest in the UK sector, where the total number of vessels of all flags has fallen from 173 in October 1985 to 129 in March, while the number laid up has risen from six to 38.

In addition, more than 30 of the 91 ships described as being employed were actually working in the spot, or short-term market, where charters can be relatively infrequent.

The position is even worse for the British flag fleet, most of which is represented by Bosva. The total number of UK flag vessels has remained relatively steady, and currently stands at 94. However, fewer than 45 per are employed in secure long-term charters, while nearly a third are laid up, and nearly 30 per cent are working in the spot market.

The unreliability of this market is indicated by Bosva figures showing that the utilisation rate in the fortnight to March 13 – the latest available figures – was 40.2 per cent. Put another way, this part of the fleet spent, on average, almost 60 per cent of its time idle.

It was market conditions like these that led to the formation of the Coffee Club. The club worked well for eight months but seems to have collapsed when the rates it was offering to the oil companies were leaked to competitors.

"People began to offer ships at slightly less than we were asking, particularly the Norwegians, and that meant that they were getting business at better rates than they would otherwise have received. In the end we felt it was not worth keeping rates up for their benefit," said a club member.

The Norwegians are the main target of a campaign by Bosva to persuade the Government to restrict access to the UK sector of the North Sea to vessels owned in Britain.

Bosva claims the Norwegians have taken 30 per cent of the market in the UK sector, while non-Norwegian flag tonnage has been restricted to 3 per cent of the Norwegian sector.

Norwegian owners are said to have been encouraged by tax incentives and domestic shipbuilding subsidies to build more than double the tonnage required by the Norwegian sector, leading to "dumping" elsewhere.

The focus of the Bosva campaign is the limited restriction on foreign tonnage in the UK sector, which was totally unprotected until last year, when it was declared an area of special interest by the Department of Energy.

This has enabled the Offshore Supplies Office to monitor long-term charters, and British flag ships are believed to have won a slightly larger share of the declining market as a result.

These limited restrictions compare with tight controls on foreign participation in almost every other oil exploration supply market, however, ranging from local preference in Norway to exclusion by law in the US.

Bosva told the House of Commons Transport Comittee recently: "These measures are driven by the political will to ensure, by whatever means necessary, that a strong indigenous presence is maintained.

"Until recently, this political will has been totally lacking in the UK.

"For the sake of the UK's shipping industry in general, and in particular the offshore supply vessel industry, a permanent stand must now be taken, at least until others show evidence of a permanent change of policy to unqualified free access."

The committee will include recommendations on the future of the supply boat sector in its report on the decline of British shipping, expected within the next couple of months.

Ministers have shown no willingness to intervene on behalf of British shipowners generally, however, and all the indications are that the pleas of the offshore industry are also falling on deaf ears.

There is likely to be more interest in how a large part of the supply boat industry managed to operate a secret price fixing agreement for so long without discovery.

Criticism of judges 'harming confidence'

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A SENIOR judge has criticised "the current vogue for instant and ill-informed comment" on judges, which, he says, not only makes their job more difficult but also undermines public confidence in the judiciary and the rule of law.

Sir John Donaldson, the Master of the Rolls – the senior judge of the civil Court of Appeal – also strongly indicated his support for the view that appeal judges should be given the power to increase sentences in criminal cases.

Addressing a solicitors' conference in Oxford yesterday, Sir John expressed concern about comments being made on particular decisions by particular judges.

Although not citing instances, he is likely to have had in mind outcries over a recent sentence in a London vicarage rape case which was attacked as being too lenient, and the fact that a man convicted of murder during a North London riot had committed the offence while on bail on an earlier murder charge.

It was not without significance, Sir John said, that the "current clamourous criticisms" of judges was largely concentrated on criminal sentences said to be too lenient which could not be appealed.

Whether there should be such an appeal was a matter for parliament Sir John said, but there was no doubt that it could be provided. He suggested that the Director of Public prosecutions could be given the task of deciding whether there should be an appeal on the ground that a sentence was too lenient.

Implicitly suggesting that the Appeal Court should have the power to increase a sentence, rather than just indicate that the original sentence was inadequate, Sir John commented: "I doubt whether public anxiety would be much relieved if, as proposed, an appellate court had no power to do more than provide official confirmation of the shared view of the accused and public alike that he had been extremely lucky."

The real vice of attacks on judges, Sir John said, was that the clamour made it more difficult for them to discharge a duty "which is difficult enough as it is."

That was apart from the fact that judges, too, had feelings and that it was not very pleasant to be on the receiving end of comments and to be prevented by "the wise tradition of the profession" from answering back or even giving a full explanation.

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Then, suddenly, American business found itself in a new era of worldwide competition and technological explosion. The Eighties had dawned in Detroit.

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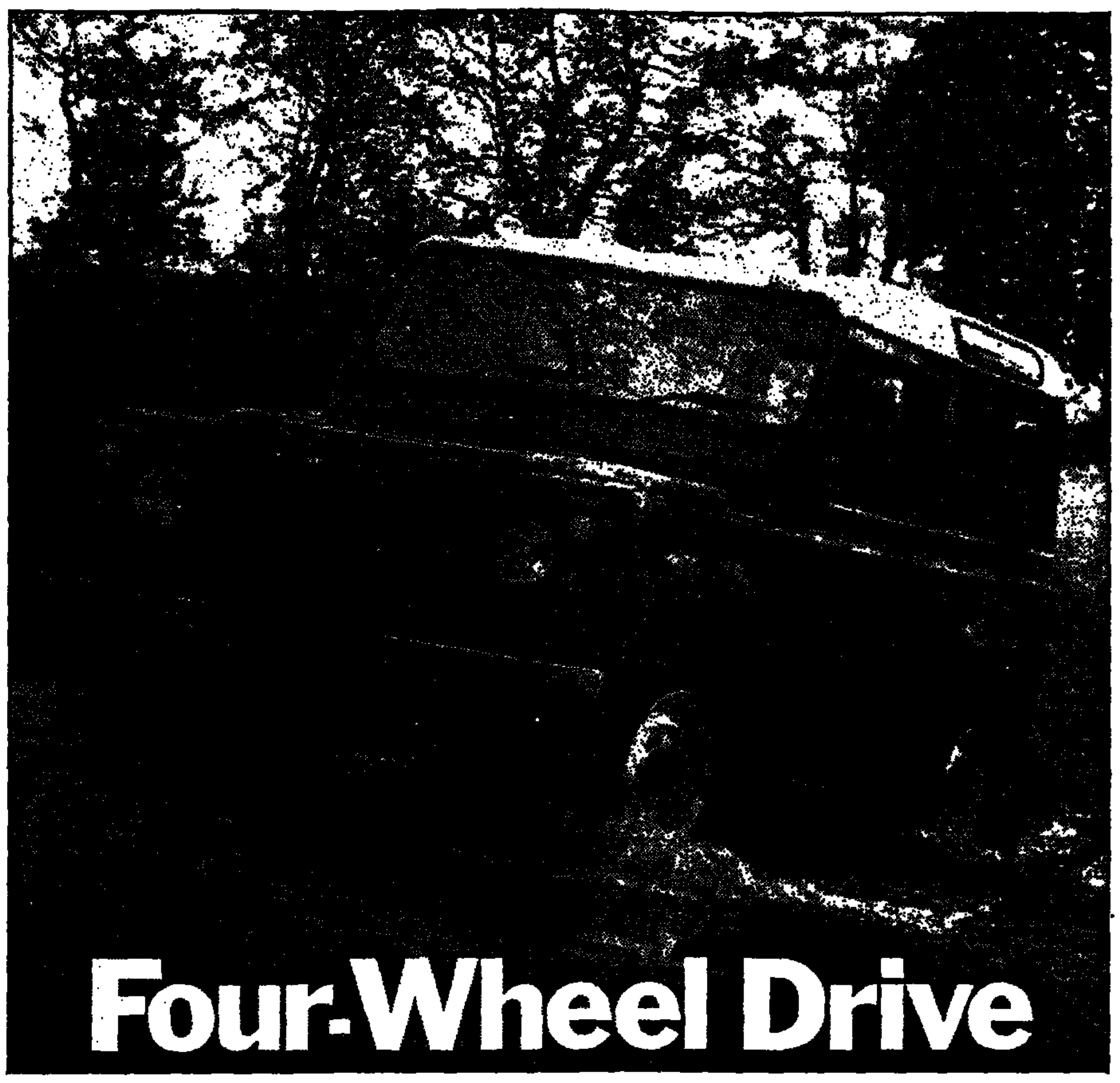
Monday April 13 1987

FINANCIAL TIMES SURVEY

Increasing numbers of 4wd saloon cars are joining the utility and leisure vehicles in this expanding market. All carmakers now have to consider including these models in their ranges to compete, and the cost of this " extra " is reducing considerably as 4wd reaches the volume sectors. **Kenneth Gooding,** Motor Industry Correspondent, reports.



Land Rover ploughing through the rough stuff.

CONTENTS

Second phase of expansion

THE SUDDEN surge of interest in passenger cars with all-wheel drive capability has started a second phase of dynamic expansion in the market for light, four-wheel drive vehicles.

Some statistics help to illustrate the growth rate. In 1979 some 65,000 four-wheel drive vehicles, mainly of the utility type, were sold in Western Europe. Last year the total reached over 317,000, half of them all-wheel drive cars.

According to Automotive Industry Data group forecasts, sales by 1991 will be close to 800,000, including 480,000 cars.

The first period of extraordinary expansion came during the 1970s in North America when a new type of customer appeared—one who was looking for a " leisure and fun " vehicle rather than a four-wheel drive workhorse.

Demand in the US reached 1m a year and captured the attention of the Japanese who were already well-established in the field.

While most car manufacturers in the West did not bother with utility four-wheel drive vehicles but left the business to a few specialists, seven out of the ten Japanese manufacturers were producing such vehicles.

The Japanese makers found that four-wheel drive vehicles not only offered some useful extra volume for high-value components such as engines, but also gave them access to markets that would otherwise have remained closed.

For example, developing countries which would not permit the import of passenger cars because they were an unnecessary luxury, would allow in some four-wheel drive utility vehicles. This enabled the Japanese manufacturers to build up rudimentary dealer networks in readiness for the time when car imports might be started.

The Japanese were also ready, therefore, to take advantage of US demand as it boiled up in the 1970s. The market began to fragment and began to parallel the passenger car business in the variety of models available.

These range from small runabouts offered by such companies as Daihatsu and Suzuki, through the workhorses represented by Land Rovers and Toyota Land Cruisers, to the executive-type Range Rover.

This was far cry from the original concept: the wartime Jeep, a rough-and-ready but totally reliable all-terrain vehicle suitable for military use.

Military development played a big part in the early days of four-wheel drive. The US used vehicles of this type in 1916 in the Mexican war instead of mules.

It was not until June 1940, though, that the US Army drafted a specification for an "ideal" four-wheel-drive, general-purpose vehicle and scout car. No fewer than 135 manufacturers were invited to bid but only two showed any interest and the contract went to one of them, Willys-Overland of Toledo, Ohio.

The various all-purpose vehicles in the States had been called Jeeps since the 1930s, apparently after a character in the Popeye cartoons, and in 1945 Willys, which produced more than any other manufacturer (60,000 between 1941 and 1945) registered the name as its own trade mark.

As the US Army spread its influence throughout the world during and after the war, so the universal potential of four-wheel drive became apparent. Demand from the military, fire brigades, foresters, police and so on built up to give companies like Willys-Jeep and Land Rover in the UK steady business.

But the recent history of Jeep, the company which more or less started the four-wheel drive phenomenon, has been chequered. It was acquired by American Motors, fourth-largest and weakest of the US car companies.

It was caught off-guard both by the leisure boom and the subsequent oil supply crises in the 1970s which caused light four-wheel drive vehicle sales in the States to collapse from more than 1m to 371,000 in 1981.

At that point Japan overtook the US as the major producer of light, four-wheel drive vehicles and Toyota with its Land Cruiser displaced American Motors-Jeep as the main individual producer.

The Jeep business has clawed its way back to profitability, helped by the introduction of lighter and less-thirsty products and a return to healthy demand in the States.

Last year sales of light utility, all-wheel drive vehicles in the US exceeded 1m again and Jeep accounted for 207,515 of them.

True to form, the Japanese makers between them took a quarter of sales in the sector. Production of light four-wheel drive vehicles in Japan was well above 800,000 last year and the vast majority were exported.

By an odd quirk of fate, the futures of both Jeep and Land Rover are under consideration. American Motors is in the process of being bought by Chrysler, third-largest of the US car groups, from Renault of France which had a near 50 per cent shareholding and management control.

Chrysler makes it clear that the now highly-profitable Jeep business is one of the main attractions of the deal because there is nothing like it within Chrysler's present organisation.

Meanwhile, Land Rover, which started producing its four-wheel drive vehicles in 1945 and today is part of the state-owned Rover Group, was to have been sold last year to General Motors of the US, the world's largest automotive group.

But so great was the outcry that this famous British asset should be passed on to an American company that the UK government was forced to withdraw its offer.

Land Rover has been retained as part of Rover and there is some hope that it might be privatised by way of a stock market flotation in two or three years' time.

This is a difficult objective because Land Rover has been suffering from the almost total collapse of its sales in its traditional export markets in Africa and the Middle East which pushed it into the red financially.

The company has been concentrating its attention on the opportunities offered by the expanding leisure business in the developed countries.

The company's all-terrain vehicle, the Land Rover, has just been launched so as to appeal to private buyers as much as military and quasi-military customers.

It remains to be seen whether these efforts by Land Rover and other producers of ultility vehicles will be overtaken by the latest changes in the light four-wheel drive sector—the very fast advance in demand for passenger cars incorporating this technology.

The starting point for the four-wheel drive car boom came in March 1980 when the Volkswagen group launched its Audi Quattro.

Subaru of Japan, looking for a niche in the competitive world car markets, had launched cars with all-wheel drive capability before 1980 but they attracted little attention.

However, once the Audi Quattro began to win one rally after another, other European and Japanese manufacturers decided they must get in on the act—winning rallies is very good for a maker's image in some countries.

And "image" subsequently became an important element in the development of the four-wheel drive car market. While it makes sinse to pay the premium for all-wheel drive in countries like Austria and Switzerland where winters are harsh and mountain roads can be steep and treacherous, there is no practical reason for investing in the capability in much of France and Italy.

But today no car maker in the world can ignore the trend. The reason is summed up by Mr John May of Automotive Industry Data: " Four-wheel drive has the potential to become the new status symbol of the late 1980s and early 1990s, possibly taking over where turbos and now 16-valve and 24-valve engines are leaving off.

" The combination of functional advantages on one hand and image-related issues on the other are virtually certain to boost the demand for four-wheel drive cars to nearly 800,000 in 1991."

An important element in the continuing climb in demand is that the cost of four-wheel drive will come down sharply. In AID's publication " European 4x4 Prospects to 1991," Mr May says: " We estimate that the current retail on-cost for permanent four-wheel drive of around 30 per cent over the two-wheel drive price will come down to around 10 per cent in under five years."

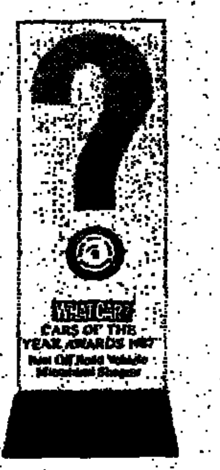
Competition between the Europeans and Japanese will help bring prices down, apart from the fact that increased volume should cut the cost of producing four-wheel drive components.

However, if all-wheel drive cars should prove less reliable than their two-wheel drive counterparts and more expensive to service and repair, the boom could be ended by the drop in used-car values this would bring in its train.

Mr Leslie Allen a director of Glass's Guide, saiys that in the UK at the moment buyers of four-wheel drive cars are "not overly influenced by common sense." But secondhand models are so much in demand that they hold their value better than two-wheel drive cars.

This is even true of the Ford Sierra 4x4 where, according to Mr Allen, demand and supply are in balance.

MITSUBISHI MOTORS: LEADING THE WAY IN CAR TECHNOLOGY



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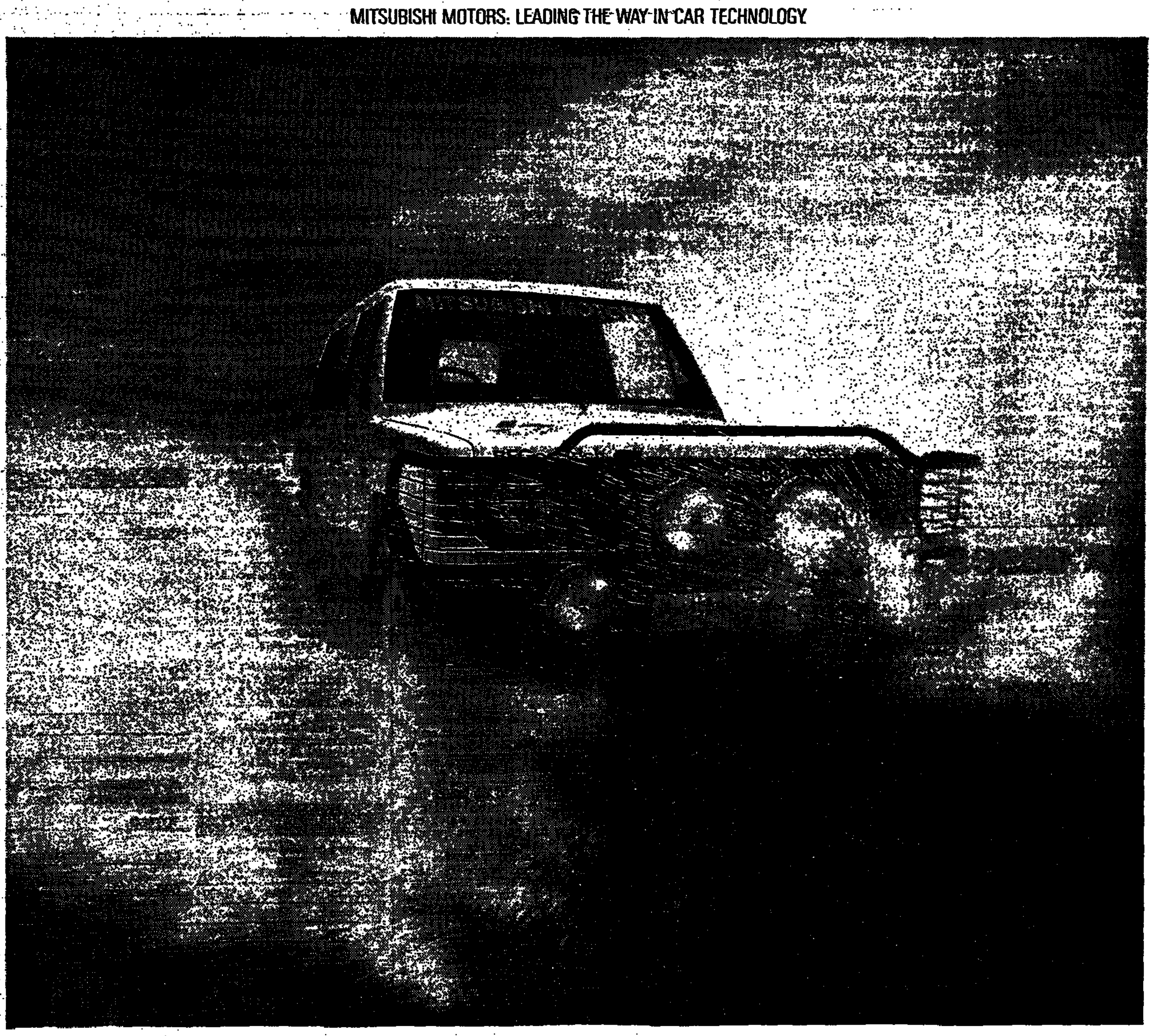

When What Car? Magazine tested various off roaders alongside each other, the Mitsubishi Shogun scored top marks in four out of five categories.

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Cars

Cost cuts open volume markets

IT IS possible to argue that every car should be made with four-wheel drive, simply because it offers the maximum grip for any vehicle on any surface and is, therefore, safer than front or rear-wheel drive alternatives.

According to some forecasts, the signs are pointing unmistakably in this direction.

A study by analysts Automotive Industry Data*, for example, predicts that West European sales of 4wd-equipped cars (excluding machines like the Range Rover and other purpose-built 4wd vehicles) will soar from 108,000 last year to 480,000 in 1990-91, representing about 4 per cent of a new market expected by that time to have grown from about 10.5m units to 11.5m.

And unlike the four-wheel drive utility sector—where it says all the running is being made by Japanese producers—AID predicts a strong performance by European car makers.

Pointing out that by the start of last year four-wheel drive car output in Western Europe had already increased 28-fold in *three years to 69,000, from 2,485,* AID predicts European output of 620,000 cars in 1991, representing more than 5 per cent of all new car production.

The increased volumes, and consequent improved economies of scale, would allow a reduction in on-costs compared with conventional two-wheel drive systems from 30 per cent to about 10 per cent, AID predicts.

Thus by then the virtuous circle would be well under way in which, rather like disc brakes in the past, four-wheel drive would eventually become the norm even on economy cars. The *future additional cost of permanent* 4wd is expected to be no higher "than the cost of a replacement set of new winter tyres," according to Dr Ferdinand Piech, Audi's long-time director of technical development.

AID accepts that whereas the advantages of four-wheel-drive for rough-terrain work have *long been* recognised by the utility vehicles sector, the virtues for normal road use have not been so widely appreciated in view of the extra cost.

However, "the positive commercial marketing prospects for 4wd have now been recognised by the key decision-makers in virtually all passenger car companies the world over; not just by the think tanks and advanced strategy departments but by down-to-earth managers who are faced with the day-to-day product decisions."

At the start of 1984, AID points out, only 11 kinds of four-wheel drive cars were on sale. By the first quarter of last year 37 were available and there has been a further, marked proliferation, to well over 50, since then.

Not surprisingly, with the odd notable exception of the Fiat Panda 4 x 4 and some Subaru models, four-wheel drive in cars has been working its way down the market from initially more expensive models, exemplified by Audi's now-£27,000 (in the UK) Quattro model—which started the 4wd car "revolution" in Europe at the end of the 1970s (although it was much pre-dated by American Motors' Eagle car in North America).

For example, AID forecasts that, by 1991, four-wheel-drive models will be accounting for over 8 per cent of all executive and luxury car production in Europe, representing some 415,000 vehicles.

At the other extreme, development of European production of small 4wd cars is expected by AID to be much slower, reaching only 25,000 units in 1991, or less than 1 per cent of the sector total.

Audi, for one, has already implemented its policy, declared shortly after the Quattro's launch, that it would offer a 4wd variant of every model in its range. And the systems it deploys have become ever more sophisticated.

Thus in its latest model, the *new Audi 80 range launched* late last year, the 80 Quattro's four-wheel-drive system automatically "shares" the driving force transmitted between front and rear wheels according to the amount of grip available, subject to a maximum 79 per cent-21 per cent differential.

Recently, the Audi/VW group has extended its 4wd offering downwards further, to the Golf with its Syncro model and even the relatively conservative Mercedes is offering it, initially on estate cars, having earlier felt it was not necessary in cars.

As AID points out, the change of tack by Mercedes seems to suggest that "even those who still have not made up their minds in full as to the real commercial significance of 4wd are literally being forced by competitive pressures to follow suit."

In engineering terms, new cars that manufacturers now have in the pipeline should make the four-wheel drive option much less problematical, *as most are being designed from* scratch to accommodate the extra propeller shaft and differential.

The reduction in costs is likely to run in parallel with intensified marketing campaigns stressing four-wheel drive's advantages of safety, performance or simply sophisticated "image" depending on the market being addressed.

The performance message has already been firmly rammed home among enthusiast buyers by developments in the world motor rallying championship, where 4wd cars have hopelessly outclassed all two-wheel-drive rivals.

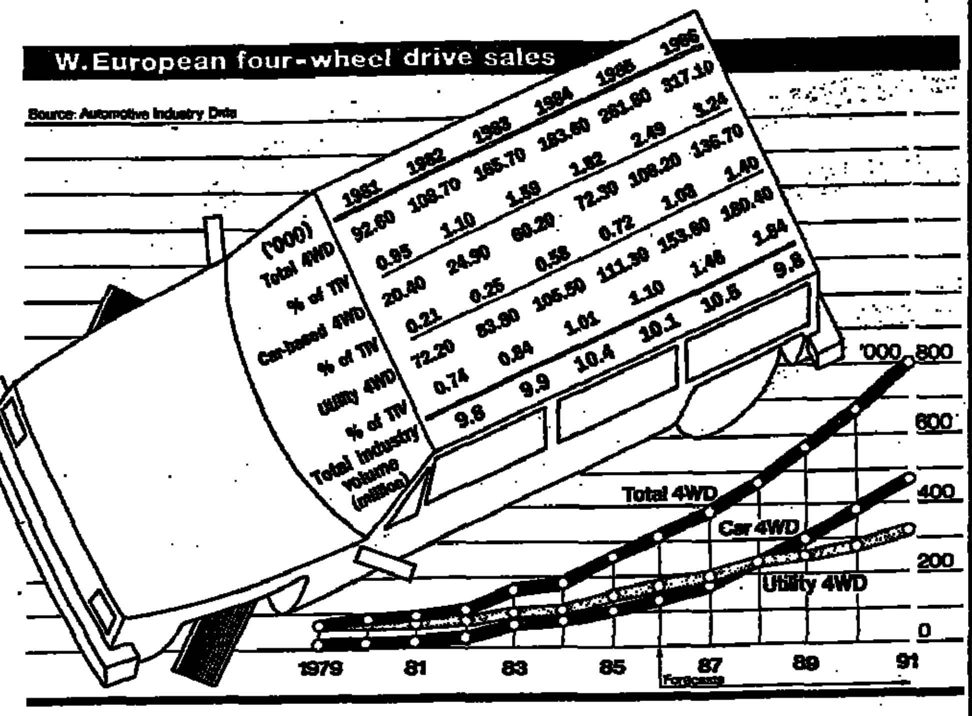
And manufacturers will be keen to build on an already-growing awareness among non-enthusiast buyers about the extra security offered by 4wd, even on smooth highways, as well as in the adverse conditions of mud, snow or ice.

The one obvious potential drawback with four-wheel drive—apart from initial cost—*is whether generally higher* servicing and repair costs will materialise as a result of its greater complexity, and whether this might adversely affect resale values. As yet there is no evidence that this will be the case.

* *"European 4 x 4 Prospects to 1991," Automotive Industry Data, 34 St John Street, Lichfield, Staffs, WS13 6PB.*

John Griffiths

W.European four-wheel drive sales



Japan

Defending world lead

JAPAN'S POSITION as leading world supplier in the light four-wheel drive utility *sector looks unassailable, though in the* related car sector, Europe recently stole a technological lead. The yen has narrowed the price gap and with several new models in the pipeline Europe is setting off in pursuit.

In Japan's domestic market, demand for hard core Jeep-type vehicles increased through the 1970s for use by young and middle aged buyers *in the snow* country of northern Japan.

Volumes grew rapidly as the suppliers, notably Suzuki, identified and began to exploit specialist demand from the domestic leisure sector, farmers and a growing army of women drivers. A new range of competitively-priced all-drive models, aimed at younger buyers, *swelled the market.*

Overseas, a combination of three factors hoisted Japan to the top of the four-wheel drive league. As well as a superiority in small batch production techniques, *suppliers enjoyed* cost-effective access to components from the parallel volume production of cars and light commercials.

Added to this was a formidable worldwide distribution network including key bases in the developing markets and in the US with its burgeoning leisure sector. Commercial applications for its four-wheel drive vehicles also eased access to otherwise protected markets overseas.

From 30,000 units in 1966, four-wheel drive production in *Japan exceeded 90,000 units in* 1974. Spiralling oil prices hit demand but in 1975 a whole new sector came into being with the launch by Fuji Heavy Industries of its Subaru Leone medium passenger car with *optional* 4wd. Other suppliers were slow to follow until the arrival in 1982 of Toyota's Sprinter.

Carib, a 4wd version of the Tercel medium passenger car, sparked off a series of new four-wheel drive estate cars and "people carriers" including Honda's Civic Shuttle.

In the US, demand for all-drive pickups soared, while a growing preoccupation with the high-margin sports sector ushered in the first of Japan's performance 4wds. These newcomers include models *such as Toyota's Celica GT and* Mazda's 323 4wd as well as mini contenders, Subaru's Rex and Daihatsu's turbo and 4wd Mira.

Here the approach has been *slightly different from the utility sector with producers looking to outside expertise for new* technology.

The first viscous coupling automatic full-time four-wheel drive system was seen on Volkswagen's Golf Syncro at the Frankfurt Show in autumn 1985. In this system one axle, front or rear, is driven all the time. When the non-driven axle slips it automatically activates the viscous coupling which feeds drive through to all four wheels.

Honda introduced a similar system on its Civic Shuttle model last year. This followed collaborative work with Austrian 4wd specialist Steyr-Daimler-Puch.

However, instead of buying the couplings from local *supplier, Tochigi Fuji, Honda* decided to make them itself and negotiated a licence directly with GKN.

Last year, Tochigi Fuji Industrial and Viscodrive of West Germany set up a joint venture in Japan to produce viscous coupling units for four-wheel drive vehicles. This company is supplying Nissan with the latest 4wd components for its new Pulsar/Sunny range.

Data on sales of leading 4WD utility models in Japan indicates that this market has expanded by over 30 per cent in 1986. In the previous year demand was slowed as the commodity tax on some 4WDs was raised to the same level as for passenger cars. Sales approached 120,000 units in *1986, equivalent to 4 per cent of* the new car market.

Exports rose by 16 per cent to 712,000 units or more than 85 per cent of four-wheel-drive output in 1986. Principal *destination was the US which* accounts for half of the world 4WD market. There sports/utility 4WD sales totalled 800,000 units last year—many of these pickups.

Sales to Africa and the Middle East remain in decline but other major export markets include Australia and Europe, particularly West Germany, Austria and Switzerland.

Military orders are an important element in sales of utility 4WD vehicles but here the strong yen is proving to be a competitive disadvantage. This recently helped Land Rover to win an Australian Army order for 2,500 vehicles against stiff competition from Japan.

The strong yen has accelerated a move to off-shore production and even the domestic market has not escaped with the launch in Japan of Korean-built Jeeps earlier this year.

Leading supplier in the utility 4WD sector is Toyota. Output in 1986 was approaching 350,000 units—more than 85 per cent for *export. The company's Land* Cruiser has traditionally dominated world four-wheel-drive sales—a short-wheelbase version is on the way—but US demand for all-drive pickups pushed HiLux sales to over 200,000 units in 1986.

Last year Toyota began first moves towards production of Land Cruisers in Europe through an arrangement with Portuguese affiliate Salvador Caetano. Plans provide for initial annual output of 500 units, most of these for shipment to the "closed" market of Italy.

There was a minor facelift for Nissan's Patrol/Safari late last year—freewheeling hubs are now adjusted automatically, rear springs have been improved and the interior upgraded. A new *Terrano/Pathfinder 4WD*, conceived in Nissan's California design studio, was launched in August.

A "pick-up with a roof," it features bold transatlantic styling. Its first European showing was at Geneva recently.

A fall in domestic production of the Patrol is due in part to the start-up of 4WD production at Nissan's Spanish subsidiary, Motor Iberica. All-drive Prairie models are being added to production at the company's Smyrna plant in Tennessee. In Italy plans to build a light four-*wheel drive utility vehicle* (AR 148) with Alfa Romeo have been shelved—Nissan was to supply the gearbox and transmission—but in Iran Nissan is building up a formidable presence.

Following its victory in the Paris-Dakar rally, buoyant demand for Mitsubishi's Pajero/Shogun pushed monthly output up by 20 per cent to 6,500 units last year. The company has recently stepped up its involvement in four-wheel drive with all-drive variants of the Lancer Estate, Space Wagon and L300 van.

Local assembly of Jeep models continues under licence from the US company and, including car and truck variants, Mitsubishi estimates that it produced almost 175,000 4WDs in 1986.

A distribution tie-up with General Motors has boosted sales of Isuzu's Trooper on selected markets. At one time GM was even considering setting up UK assembly of the model but volume and exchange rate considerations ruled *against this. More recently* it has been suggested that Isuzu could set up a European production base by taking over a discarded GM plant in Belgium.

In low-cost Taiwan, a joint venture with *local* producer San-Fu gets under way this April with provision for annual production of up to 36,000 Trooper models. As well as sales in Taiwan, output is to be exported to the US, South East Asia and the Middle East.

Further refinements for the Trooper which are in the pipeline include uprated engines.

GM has displayed some interest recently in Fuji's latest generation 4WD systems. On automatic models one variant uses the existing acceleration switch of the torque converter, brake *switch or wiper switch* and it shifts automatically from front-wheel drive to 4WD when it detects rapid acceleration, sudden braking or rain.

Fuji has built more than 1.5m *4WD variants of its range and* the on-cost has steadily been reduced from about 25 per cent to 10-15 per cent over standard 2WD models. A joint US production venture with Isuzu gets under way in 1989.

A sharp increase in Suzuki exports can be traced to the start-up of US four-wheel sales at the end of 1985. In the same year a joint venture with Land Rover Santana got under way in Spain. This provides for assembly of Suzuki's Jeep model to be built up to 20,000 units per year with 50 per cent of output being *exported to prime European* markets this year.

Daihatsu has been in negotiations with the Canadian specialist Bombardier. Plans provide for production in Quebec of 20,000 Rugger 4WD utility vehicles with engines and drivelines supplied from Japan.

Ian Robertson

Light Utility 4 WDs

Sales, exports and production in Japan

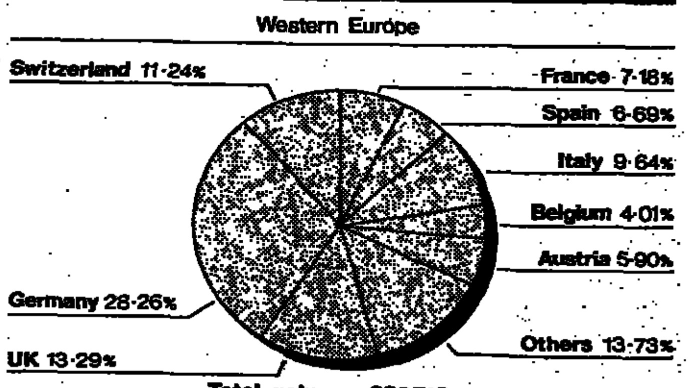
	1985		1986	
	Shipment for Overseas	Domestic Registration	Shipment for Overseas	Domestic Registration
TOYOTA				
HiAce	0	0	1,136	7,610
Model F	0	2,697	4,773	18,595
LiteAce	0	596	391	8,221
HiLux	173,376	9,550	204,069	11,409
Land Cruiser	127,807	6,861	88,569	6,904
MAZDA				
Datsun Truck	53,425	4,027	65,175	4,549
Patrol	35,784	1,964	31,256	2,339
MAZDA				
Broony	3	117	819	224
Bongo	3	5,282	394	7,259
Proceed	0	—	5,470	—
MITSUBISHI				
Delica	3,084	8,196	1,656	8,683
Forte	22,463	269	22,523	35
Pajero	44,949	11,046	61,787	15,180
ISUZU				
Fargo	3	4,984	900	4,462
LVV	12,832	603	11,526	461
Trooper	49,534	12,971	67,535	2,529
SUBARU				
Domingo	2,835	10,616	3,585	11,100
SUZUKI				
Jimny	85,761	10,254	140,226	13,784
Total	611,859	90,033	711,790	118,344
Production*	701,892		830,134	

* Exports & Domestic Sales.

Source: Industry Sources.

4WD Market 1985

Western Europe



Total volume = 266,740

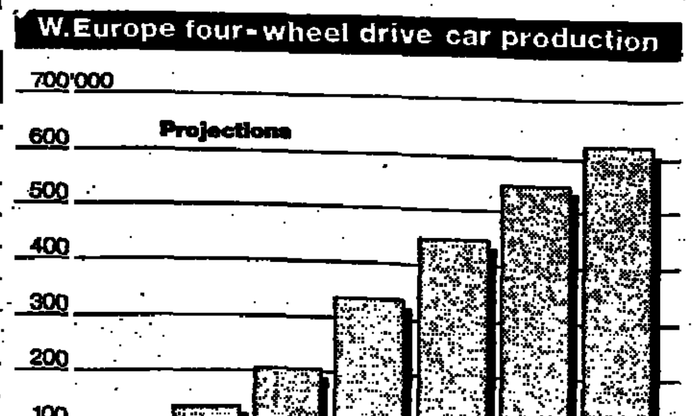
Vehicle production

Selected light utility 4wd vehicles—1986

Jeep (all versions)	US	217,000
Toyota HiLux	Japan	215,500
Ford Bronco	US	155,000
Suzuki Jimny	Japan	154,000
Toyota Land Cruiser	Japan	98,000
Mitsubishi Pajero/ Shogun	Japan	77,000
Isuzu Trooper	Japan	70,000
Chevrolet Blazer	US	45,000
Nissan Patrol	Japan	44,000
Land Rover	UK	21,000

Source: Industry estimates

W.Europe four-wheel drive car production



Source: Automotive Industry Data

The US

Leisure demand rises

AMC'S DECISION in 1986 to discontinue production of its venerable CJ Jeep line after a run of over 40 years and to replace it with the *slicker, sportier* Wrangler is a good illustration of a fundamental shift in direction of the US four-wheel drive market during the present decade.

As little as five years ago, four-wheel drive was regarded as the almost exclusive preserve of utilitarian, often ungainly, workhorse vehicles for those—like farmers—whose jobs necessitated regular off-road driving. Today, the emphasis is increasingly on leisure.

Improved all-wheel drive light vehicles in various categories have been developed to capitalise on the sector's new-found sporty, fun-to-drive image and the vehicles' reputation for good roadholding in adverse driving conditions.

"Are you having fun yet?" inquired the posters advertising the Suzuki Samurai, a bottom-of-the-range utility vehicle, when it was launched on the *Gulf and West coasts in November* 1985.

The proliferation of new vehicles, ranging from versions of production cars, through light utility vehicles to the *increasingly diversified* pick-up truck sector, has considerably expanded the four-wheel drive market—often at the expense of standard, two-wheel drive saloon cars.

"People who would have bought an Impala 15 years ago are now looking at the Bronco, Ford's light utility vehicle," says Mr Steve Campbell, editor of Petersen Publishing's 4-Wheel & Off-Road magazine.

Sales accordingly have risen sharply. Between 1982 and 1985, production of four-wheel drive light trucks in the US more than *tripled from 330,000 to 1.03m*—close to 30 per cent of overall light truck output. Over the same period, retail sales of four-wheel drive cars climbed from 81,000 to a record 117,000, giving *the sector just over 1 per cent of* the total US car market.

Not surprisingly, competition is intensifying—particularly in the utility plus leisure sector where, according to Mr Campbell, demand has "exploded" since Chevrolet unveiled its S-10 Blazer in the autumn of 1982. Seven marques, four of them Japanese, are now vying for predominance in the "downsize" sports/utility sector, with a further five models competing in the "upsize" market.

They were scheduled to be joined in March by Britain's Rover Group, which is anticipating first-year sales of some 3,000 Range Rovers through its Maryland-based subsidiary, Range Rover of North America. With an expected price tag of $30-*35,000, the Range Rover will* compete very much at the luxury end of the market.

While overall demand for these vehicles remains strong, the expanding range of available models *is beginning to tell* on the sales figures of some of the stalwarts. Chevrolet, for example, sold only 160,000 S-10 Blazers in 1986 (110,000 of them with four-wheel drive), down from over 187,000 the previous year. Meanwhile, 1986 sales of four-wheel drive Ford Bronco IIs edged up just 5 per cent to about 107,000.

Both appear to have been hurt by the familiar Japanese tactic of importing downsized versions of the most popular American models, the ruse previously employed to such great effect in *the car market. While sales of* S-10 Blazers seem, for the moment, to have peaked, the likes of the Isuzu Trooper and the Samurai continue to gain share.

Nearly *37,000* Isuzu Troopers were sold in 1986—up from 25,800 a year earlier. Meanwhile, the Suzuki Samurai managed sales of 47,000 in 1986, its first full year on the market, and continues to do well with a further 12,300 sold in January and February 1987.

Despite this, Chevrolet's Mr Ed Lechtzin remains confident that "there are still no end of niches to exploit.

"In another year we will have a more powerful engine in the S Blazers," he says. "That will create a new demand."

There are also plans for a more luxurious version of the S Blazer to be developed, targeted at "Mercedes and BMW drivers who want a second car."

Nichemanship is currently the name of the game too in the pick-up truck market, where about 25 per cent of vehicles sold are equipped with four-wheel drive.

While sales of full-sized pick-ups—dominated in the absence of foreign competition by Chevrolet and Ford—remain exceptionally strong, attempts to create a medium-sized niche (just as the compact market was developed 10-12 years ago) are threatening to wean some buyers away.

The recently-announced Chrysler-AMC merger will bring both major medium-sized entrants—the Jeep Comanche and the Dodge Dakota—under the same roof, however. It will be interesting to see whether this serves to strengthen or dilute the fledgling category's challenge.

Meanwhile, makers of the larger pick-ups are hitting back, according to Mr Campbell, "by taking on the sporty appeal of the smaller trucks." The stakes are large: in the US market the full-sized pick-ups of both Ford and Chevrolet outsell any car.

The all-new 1988 Chevrolet C/K full-sized pick-up will boast independent front suspension (like its main rival, the Ford F-Series), anti-lock rear brakes and a steering gear system *designed to enhance manoeuvrability.* "It is to full-sized pick-ups what the pocket calculator was to the slide rule," claims Mr Robert Burger, Chevrolet's general manager.

Until this year, the big three domestic automakers had shown little desire to follow the ageing AMC Eagle into the four-wheel-drive car market, regarding it as too small to warrant high priority. This has left the field open to an expanding bunch of imports, headed by the Subaru range, which sold more than 64,000 units in 1985, the upmarket Audi Quattro and the Honda Civic.

Since January, however, Ford has been offering "all-wheel-drive" versions of both the Tempo and the Mercury Topaz, selling about 1,000 vehicles in the first quarter, according to one company spokesman. GM has also been "looking at" four-wheel-drive cars, according to Chevrolet's Mr Lechtzin. "When we do get into that, we want to be able to offer more than four-wheel drive."

Cadillac division engineers, meanwhile, are believed to be working on an all-wheel drive transaxle for application by the early 1990s.

Overall, while the four-wheel-drive sector will do well to sustain the growth rate of recent *years, prognostications remain* positive. "Buoyancy will be the character for the next couple of years," says Mr Chuck Brady, an analyst with New York-based Oppenheimer.

However, since the exploitation of the still developing leisure-oriented market has been the principal basis for recent growth, particularly of the Jeep-type utility vehicles, four-wheel drive is probably more vulnerable to the whims of fashion than it was when the sector consisted entirely of workhorse trucks.

David Owen

U.S. retail sales of new four-wheel drive cars

	1982	1983	1984	1985
SUBARU (excluding BRAT)	38,985	47,570	50,909	64,175
TOYOTA TERCEL	6,650	36,785	32,435	17,475
AMC EAGLE	35,210	31,205	20,655	12,775
HONDA CIVIC	—	—	—	10,365
AUDI QUATTRO	285	815	3,985	5,790
CHRYSLER VISTA	—	—	—	6,490
VW QUANTUM SYNCRO	—	—	—	305
TOTAL	81,130	116,380	108,065	117,375
% OF U.S. MARKET	1.0	1.3	1.0	1.1

Research: Rivka Nachoma

The UK market is being penetrated by volume saloons, says Kenneth Gooding

Car successes boost registrations

THE UK contributed its fair share to the European boom in sales of cars and light utility vehicles with four-wheel drive last year. Registrations soared by more than 20 per cent from the 1985 level to a record 42,635.

In the passenger car sector the outstanding success was Ford's Sierra XR 4x4 which dominated the business with 5,590 UK registrations last year. This represented nearly 5 per cent of total Sierra sales in the UK.

Ford also did well with the new Granada 4x4 which found 1,145 buyers, equivalent to more than 3 per cent of the total 1986 sales of the group's "flagship" model.

The utility sector did not perform so strongly and registrations last year were virtually unchanged from those in 1985.

Some of the Japanese vehicles, which are in command of the cheaper end of the utility sector, showed significant sales advances, however.

In particular, the Suzuki SJ, the current Western European best-seller, showed a 28.6 per cent sales increase in the UK in 1986 to 4,430. This year sales of the SJ will jump again because the vehicle is now in production at the Land Rover Santana fac*tory in Spain and can escape the* restrictions on vehicle shipments from Japan to Britain.

At the up-market end of the sector, Range Rover sales were boosted by 25 per cent to 4,225. So the Range Rover kept its *position as the best-selling vehicle* in the class.

This was in spite of its price being much higher than Japanese vehicles such as the Mitsubishi Pajero/Shogun which advanced by nearly 18 per cent to 2,605 registrations last year.

On the production front, the Land Rover company, part of the state-owned Rover group and the UK's sole contender in the light four-wheel drive vehicle market, had a year of mixed fortune in 1986.

Output of the Land Rover vehicles fell by a third to the lowest level since the late 1950s: from 31,000 in 1985 to 21,000.

In contrast, production of Range Rovers rose to a record 14,495 compared with 13,315 in 1985.

The Land Rover company insists that the fall in output of its best-selling utility vehicles simply reflected the world-wide demand situation and did not arise from loss of business to Japanese competitors.

Developing countries and the oil producers in the Middle East *ran out of foreign currency last* year, so demand from those areas for Land Rovers was minimal.

Japanese shipments to Africa, the Middle East and the main Far Eastern markets were also down—by about 40 per cent compared with 1985.

About 10,000 Land Rovers were exported to those territories last year, down from 20,000.

This did not take the Land Rover company by surprise. It has for some time been developing the Land Rover—and particularly the Range Rover—models to aim them more at developed markets to make up for the lack of cash available in traditional export markets.

So Land Rover managed to hold unit sales in the UK and other European markets about level at 10,500 last year.

Output of Land Rovers peaked in 1975 at 58,525. Production fell behind demand and Sir Michael Edwardes, in the early months of his chairmanship of what was then called British Leyland, instituted a £300m investment programme to boost capacity.

As it became apparent during subsequent years that the Japanese were winning a major chunk of Land Rover's business, particularly in the Far East and Africa, the programme was scaled *down, stretched over a* longer time and the main thrust switched from increasing capacity to developing new products.

In the event, Land Rover spent only about half the original budget but has continued to invest in making its products more suitable for leisure and pleasure use rather than simply as workhorses.

In 1983 the Land Rover company suffered its first-ever financial loss—a whopping £44.4m net—following the sudden collapse of export demand.

A production rationalisation programme was started to bring production together on one site.

That programme was completed early last year but the achievement was completely obscured by a major political row about the Land Rover company's future.

Land Rover was at first to be sold off with Leyland Trucks and the Freight Rover van operations to General Motors of the US. But the outcry about what some people saw as a national institution caused the government to back down and withdraw Land Rover from the deal, which caused GM to withdraw.

British bids for Land Rover were *invited but ultimately the* Government supported a proposal by the Rover Group board that the company should remain part of the state-owned enterprise for another few years in the hope that Land Rover's performance improves enough to make it a potential candidate for a stock market flotation.

Much will depend on whether Range Rover sales continue to increase in Europe and on the vehicle's performance in the US where it was launched for the first time last month.

The company hopes to sell 3,000 of the $30,850 Range Rovers in the States this year through a network which currently has 36 dealers but ultimately will have 60.

Those taking a conservative view of potential US sales reckon that 7,000 to 8,000 Range Rovers is a reasonable annual target. Optimists suggest sales could reach 15,000.

Rover is committed to returning the Land Rover company to the private sector eventually but many observers believe the four-wheel drive company will not be able to stand alone.

The Economist Intelligence Unit says, for example: "If it (Land Rover) is to be sold by the Rover Group and remain British there would seem to be only one *option—an amalgamation with* Jaguar."

All Audi cars are now available with four wheel drive.

Audi

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Stuart Marshall reviews some of the many models available.

Vehicles for the wilds—and SW3

FOUR-WHEEL drive overcomes lack of grip between tyre contact patch and the surface it is running on. That is the simple truth but it has many facets.

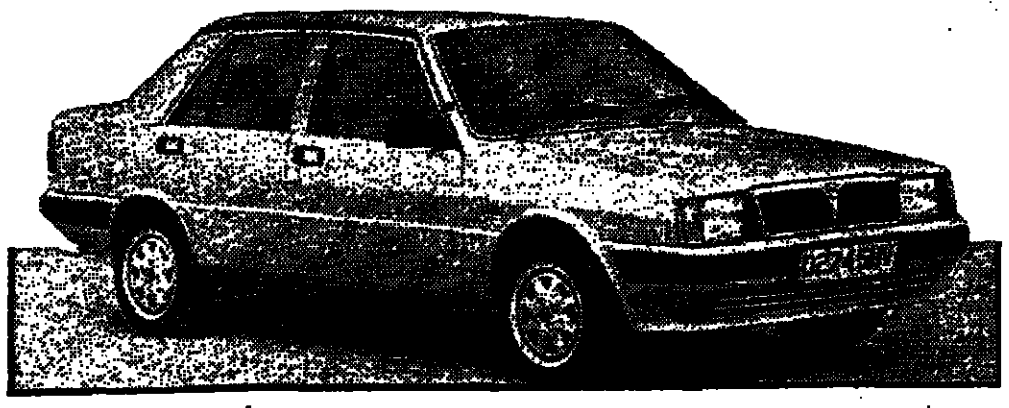
Tyre grip may fail because the surface is covered with snow and ice or consists of soft sand or deep mud.

On metalled roads, a shower *of rain may be enough to make a* car with a very high power-to-weight ratio unstable when accelerating. Hot hatchbacks—small family-type cars with fuel injected, multiple valved and turbocharged engines—benefit greatly from having four-wheel, not just front-wheel, drive.

There are two principal types of four-wheel drive—full or part time. The full-time or permanent system feeds the engine's torque to all four wheels without giving the driver any option. The part-time selectable or on-demand four-wheel drive allows the driver to decide when to put power through to the rear wheels of a front-drive car, or the front ones of a normally rear-drive car.

Mercedes-Benz even has a 4-MATIC selectable system in which the choice between rear wheel and all-wheel drive is made instantly by a computer triggered by loss of grip at the rear wheels.

So vehicles now exist to cater for every conceivable kind of service in which all-wheel drive is either desirable or essential. In fact, buyers often choose a product least suited to their real needs. Thus many Range Rovers, expensively engineered to be magnificent performers across rough country, are used as *prestige runabouts*, never climbing anything steeper than a high kerb in London SW3. And the little Suzuki SJ, a mountain goat off the road, is bought as a female fashion accessory, complementing high boots and tight designer jeans.



Lancia Prisma—its fluid coupling redistributes torque.

Categorisation of the 4x4 cars and utilities has become difficult. The simplest way is to divide them into on-off road and highway-only types with a further separation into those with on-demand and full-time four-wheel drive transmission.

On-demand four-wheel drive is mechanically simple. A small front-wheel drive car like a Fiat Panda, Lancia Y10 or Subaru Justy is equipped with a rear final drive, connected by a propellor shaft to the main gearbox. When extra traction is needed, the propellor shaft is clutched in and the engine's torque distributed equally between all four wheels.

Any of these little cars will then romp up steep snow-covered hills, haul themselves out of muddy car parks at race

Similar transmissions are used on large front-drive cars such as the Subaru 1600 and 1800 4WD saloons, estate cars and pick-ups; the Toyota Tercel Estates and the Alfa Romeo 33 4x4 estate. Given reasonable under-body protection, they do much the same work on all but *really rough terrain as a high* slung off-road machine.

The Subaru 1800 4WD with twin-range transmission—it has a high set of gears for road use, a lower set for off-roading—is a particularly impressive performer. Also, the Subaru is one of a handful of primary on-road four-wheel drive vehicles available with automatic transmission.

On-demand transmission is widely used on off-road vehicles like the Mitsubishi Shogun, Toyota Land Cruiser, Nissan Patrol, Mercedes-Benz G-Wagen, Daihatsu Fourtrak and Isuzu Trooper. All use a similar transmission layout to the war-time Jeep. A transfer case alongside the main gearbox has propellor shafts running forward and backward to front and rear axles.

Normally, these vehicles are used in rear drive, with power being switched to the front axle when necessary. All have high and low gear ranges and, driven *skilfully, will get in and out of* places that would seem impassable to a wheeled vehicle.

In this class the Mercedes-Benz G-Wagen is unusual in having front and rear axle differentials that may be locked for extreme conditions demanding maximum traction. Only if all four wheels fail to find any grip will the G-Wagen come to a halt.

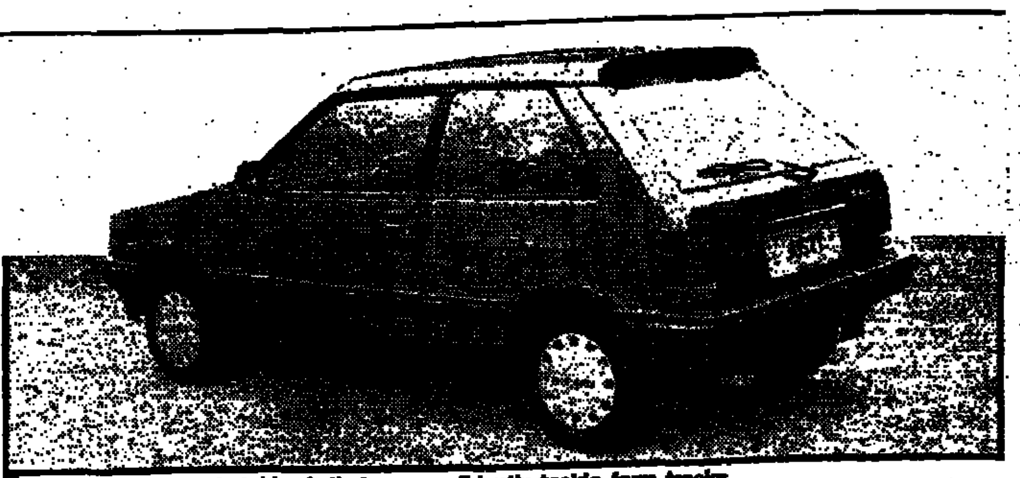
The rear-drive, on-demand four-wheel-drive vehicle used to be a rough, tough machine with no frills, designed for a life of *hard work*. Gradually they became popular among buyers as car substitutes, their pulling power exploited to tow horse trailers but rarely venturing far from the beaten track.

At a time when the Land Rover still had a cab interior with overtones of a wartime 3-tonner, the Japanese began offering similar off-road machines with the creature comforts of a car. The Range Rover and G-Wagen were too expensive for most recreational users of such vehicles, many of whom also like the idea of a diesel engine to curb a dipsomaniacal thirst.

The Shogun has been particularly successful, accounting for 30 per cent of Mitsubishi's UK sales at present. Independent front suspension (most other off-road 4x4s have beam axles front and rear) give it a good ride on the *highway. Mechanical* refinement—no transfer case whine, a smooth gearbox and power steering—make it agreeably car-like to drive on the road.

Its first real rival has just appeared on the British market. This is the Isuzu Trooper, similar in design, with an exceptionally quiet turbo-diesel engine *if* desired, and an interior that would not be out of place in an executive car. Shogun and Trooper are closer to the Range Rover for comfort and refinement but priced nearer the Land Rover level.

The Range Rover still serves as a benchmark for luxury 4x4 manufacturers but its price puts it beyond the reach of many potential customers. However, they will find that a Land Rover has most of the Range Rover's mechanical virtues including long-travel coil springs for ride comfort on and off-road and permanent four-wheel drive with a lockable centre differential as a traction aid in difficult conditions.



Subaru Justy—small hatchback that can confidently tackle farm tracks.

The Land Rover is still less car-like inside than some of its competitors but is arguably the best blood and guts 4x4 on the market. Both Range Rover and Land Rover may now be had with turbo-diesel engines offering good performance and economy.

Most of the growth in the four-wheel drive market is taking place in the road-going sector and for vehicles with full-time transmission with a third differential.

Audi started the trend seven years ago with the original Quat*tro turbocharged coupe with* a 50:50 power split from front to rear. To anyone used to having to drive a 200 horsepower car with ultra low profile tyres on tiptoe on snow and ice, the Quattro was a revelation. Putting the power down on to the road through four contact patches instead of two allows a driver to laugh at conditions that would immobilise a similar car with two-wheel drive.

All Audi models from the 80 upwards may now be had with Quattro transmission. The Audi was particularly easy to convert to all-wheel drive because the engine was mounted in-line and overhanging the front wheel centre line.

Other cars that have appeared with full-time all-wheel drive have either been transverse engined or designed for rear-wheel drive. The former have needed the drive to be turned through 90 degrees to take the power to the rear wheels; the latter a transfer case similar to an off-road rear-drive 4x4 but without the two speed ranges incorporated.

Mazda's 323 Turbo 4x4 was the first to arrive in Britain and at present is the only hot hatchback to boast all-wheel drive as well as 16 valves and turbocharging. In a few weeks it will be joined by the Lancia Delta, with a 2-litre turbocharged engine, permanent four-wheel drive and a torque-sensing rear differential.

The Delta will sell for just under £14,000—dearer than the Mazda but less than any Audi Quattro of comparable performance.

Like the Lancia Prisma 4wd saloon, the Delta has a Ferguson viscous coupling between front and rear axles. This serves as a differential, to prevent the transmission from winding-up on dry roads, and distributes torque between front and rear in relation to available grip. Normally, there is a small bias in power delivery to the front wheel (56:44) to preserve a measure of front-wheel drive handling. Delta and Prima—also due to reach Britain later on—combine eager performance with reassuringly sure-footed behaviour on snow or wet roads.

Volkswagen's Golf is already sold in some markets with Syncro transmission. This is something like the Lancia system, using a Ferguson coupling and putting more power to the front wheels on normally grippy surfaces. The rear-engined VW Syncro Transporter biases power delivery to the rear.

Variations of the system used by VW and Lancia will be appearing on many European and Japanese cars in the near future. It probably strikes the best balance, providing all-wheel drive security without demanding any special knowledge from the driver. The small Honda Shuttle estate also has such a system.

Ford is the first high-volume European *manufacturer* to have offered full-time all-wheel drive, on its Sierra and Granada (Scorpio) models. A transfer case leads the drive from the main gearbox forwards to a front differential on these normally rear-wheel-driven cars. A Ferguson viscous coupling prevents wind-up on dry roads and redistributes torque (split 33 per cent front, 66 per cent rear until wheelspin sets in) as needed.

Both Sierra and Granada 4x4s feel completely conventional cars though with much better behaviour when accelerated hard out of slippery corners than one has any right to expect. This is the hallmark of any car with full-time four-wheel drive.

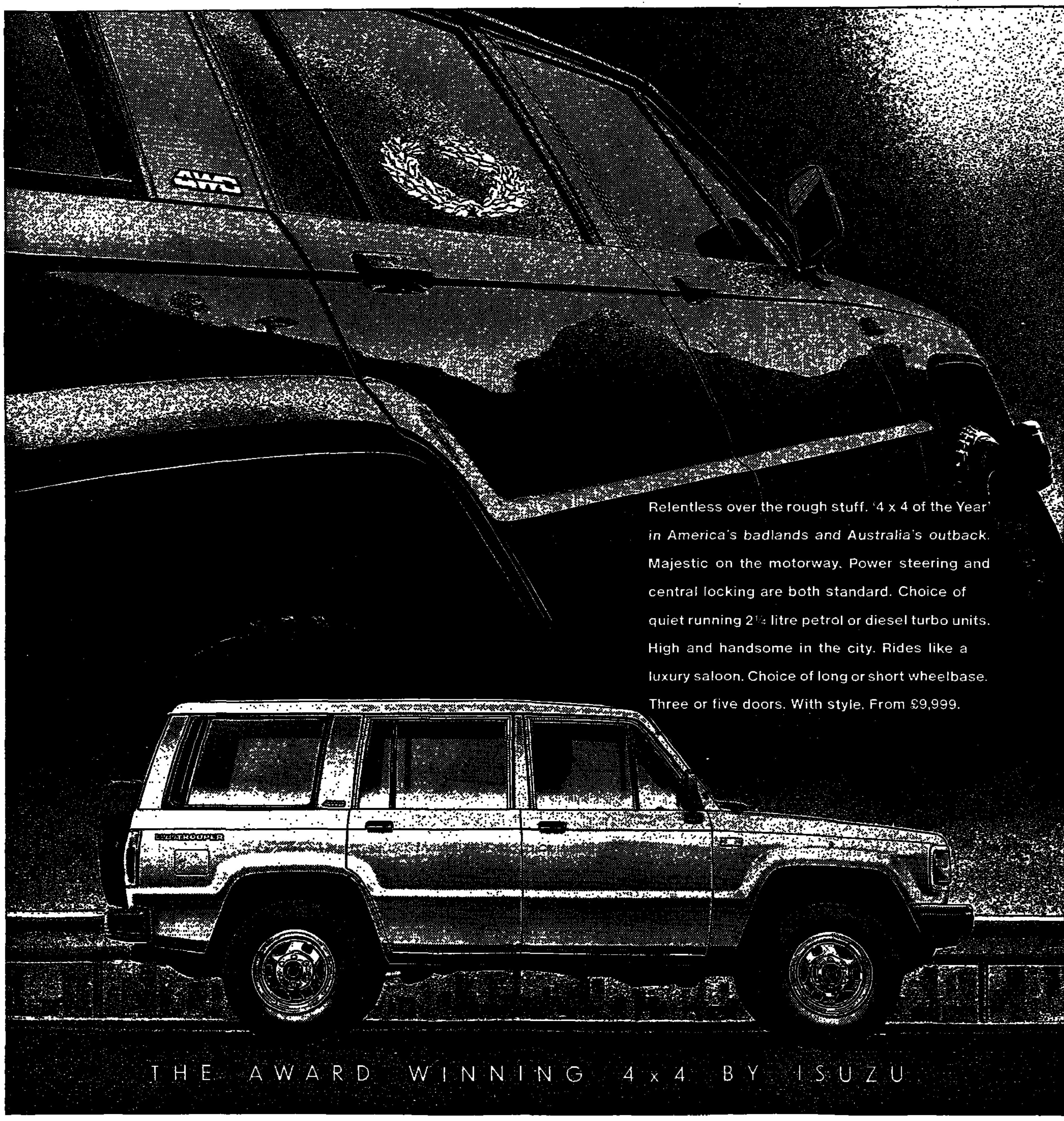
BMW has a similar four-wheel drive system to that used by Ford available on its 325i and M3 saloons, which it has just decided to import into the UK to special order.

But all-wheel drive cars are not invincible. However clever the system, it depends ultimately on the adhesion between tyre and road.

Bushdriver Magazine, Australia, '4WD Wagon of the Year' 1984 and 1985.

4-Wheel and Off-Road Magazine, USA, '4 x 4 of the Year' 1985.

TROOPER



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Spain

Difficult path into the EEC

THERE ARE times when it makes sound business sense to let others play the role of pioneers. This is very much the case of Nissan-Motor Iberica and of Suzuki-Land Rover Santana in Spain's often frustrating and always perplexing four-wheel drive vehicle sector.

In 1986 the pattern emerged of Suzuki following along a path that Nissan had already dared to tread. The first step along is having trouble with the foreign partner. Then it is a case of buying in further.

Nissan did exactly this when it displaced Massey Ferguson in Motor Iberica. Suzuki is doing something all too similar in Land Rover Santana at the expense of British Leyland.

The process, simple enough on paper, is fraught with frustrations, however. Nissan, which produces the Patrol *range as well as the Vanette*, has discovered to its cost that running Motor Iberica's Barcelona plant is a far greater undertaking than it originally envisaged.

Nissan moved into Barcelona in 1980 by acquiring Massey Ferguson's 36 per cent stake in Motor Iberica. There was much *talk then, as there is* in Suzuki-Land Rover Santana now, of using the Spanish company as a springboard into Europe.

What Nissan quickly discovered was that it had to keep reaching into its pocket to keep Motor Iberica going. The Japanese company's stake increased far faster than the original low-profile strategy had mapped out, for Nissan alone was willing and able to inject new capital into its ailing Spanish partner.

Motor Iberica is now as wholly Japanese as makes no difference and its management is doggedly sticking to its forecast of a fully competitive and modernised, profitable company by 1990—which is six years later than originally planned and after writing off billions of pesetas.

Figures vary but Nissan is generally reckoned to have spent Pta 40bn on Motor Iberica and have an equivalent amount earmarked for investment in the company over the next five years.

Nissan learnt early on that the Spanish market is perplexing. Last year was true to form for the four-wheel drive sector behaved in exactly opposite fashion to the car industry as a whole.

The overall feature of Spain's car industry in 1986 was that domestic demand, after years in the doldrums, picked up smartly to rise by 12 per cent. Production was up four per cent though exports were down by nearly nine per cent.

Four-wheel drive vehicles as a sector showed a huge leap forward in production with the manufacture of 36,370 vehicles—a 28 per cent rise on the 1985 figures and an export increase of 51 per cent (16,875 units). However, domestic sales slipped by 3.4 per cent.

The Spain as a springboard approach at last appeared to be working, at least as far as Japanese four-wheel drive vehicles were concerned. Last year Nissan pushed its export sales up from just over 11,000 to close on 16,900.

Suzuki with its Santana model demonstrated the value of following the pioneer. The Japanese input to the company made possible a remarkable export performance for Land Rover Santana which went from just under 8,000 units in 1985 to more than 13,000 last year.

Suzuki moved into Spain the same year as Nissan. In 1980 both Japanese giants believed that Spain was as good as inside the European Community although, in the event, member*ship had to wait a further* five years.

The original agreement with Land Rover Santana was little more than a contract to build a set number of Suzuki Santanas at the British company's subsidiary. It was not until 1984 that Suzuki took a somewhat timid plunge into the Spanish market by moving in on a share increase and acquiring an 8 per cent equity for a nominal value of Pta 150m.

Last year Suzuki's intentions in Spain became clearer. The Japanese company was the sole bidder in a further capital increase and its share equity went up to 17 per cent.

Suzuki gained a further two members to join the one it already had on Land Rover Santana's board. Rover Group's stake meanwhile went down from 45 to 33 per cent.

What was most revealing was that the general shape of Land Rover Santana as a company could in 1985-86 be best described as challenging if one wants to be kind. In 1985 the company posted losses of Pta 1.1bn on income of Pta 26.6bn and it was strapped by short-term debt.

Land Rover Santana desperately needed to modernise and radically alter its production line, *to* restructure its debt and reduce labour costs.

Last year there were signs of a cure in process. Provisional figures showed that losses had been reduced by 32 per cent to Pta 788m, production was cut back and short-term debt reduced by Pta 4.2bn to Pta 8.8bn.

Plans were announced to reduce the 4,140 labour force, mostly concentrated in Suzuki's plant at Linares, in southern Spain, by 630 and an investment plan totalling Pta 7.2bn was announced.

If Nissan last year was claiming it could see light ahead in the Motor Iberica tunnel, the betting was on Suzuki, sooner rather than later, claiming the same for Land Rover Santana.

Tom Burns

Bryant
construction
021-704 5111
0344 426688
SOLIHULL
BRACKNELL

CONSTRUCTION CONTRACTS

New headquarters for the Woolwich

At Bexleyheath, BALFOUR BEATTY BUILDING is to construct a headquarters for Woolwich Equitable Building Society under a £10.7m contract. The four-storey building will provide 105,000 sq ft. The brick and stonework elevations will include balconies and there will be a restaurant, a gymnasium, an automated deeds store and air conditioning. The contract is underway and will be completed in 84 weeks.

Balfour Beatty Construction has a contract from Anglian Water Authority for constructing a sea outfall. This £3.5m order is for work at Southend-on-Sea and comprises a sewer outfall 1,800mm diameter and 1,200 metres long.

Balfour Beatty Building has a £2.9m contract from G. M. Health Care to build a 40-bed private hospital on the site of the White House in Tarporley Road, Stretton, Warrington. The hospital will be on two floors. The building will be steel-framed and clad in brickwork with a pitched slated roof. The contract includes electrical and mechanical services and landscaping, drainage and provisions for car parking. Work has started and completion is scheduled for mid-March 1988.

In Sheffield, Balfour Beatty Building has a contract worth £0.9m to complete the internal refurbishment of Revenue House. The additional works include a new floor in the building, wall and ceiling finishes, partitioning, entrance doors, sanitary fittings and electrical and mechanical services.

Balfour Beatty Construction International in joint venture with Balfour Beatty Thai has been awarded a contract to build the International Trade Centre in Bangkok, Thailand. The value of the project is 300m Baht (£8m) and comprises a concrete superstructure on a six level underground car park. The client has specified a 'top-down' method of construction and 50-metre-deep diaphragm walls will be constructed for the basement area. The main structure will be supported by large-diameter bored piles. Both the diaphragm walls and piling works will be undertaken by Soletanche of France in joint venture with Stent Seafco, the foundations divisions of Balfour Beatty Thai. The programme for completion is 24 months.

Balfour Beatty is a BICC company.

New factory for Sony in South Wales

IDC has won its fifth factory building contract for Japanese electronics manufacturer Sony, writes Joan Gray.

The latest order, worth a guaranteed maximum of £4.2m, is to design and build a 6810 sq metre extension to the cathode ray tube manufacturing plant at Sony's Bridgend site in South Wales.

The project is the fourth undertaken by IDC for Sony at Bridgend, and will double production capacity.

IDC's work for Sony has also involved working with the company's own engineers and visiting Japan to make sure that UK methods of designing, building, electronic and mechanical engineering have complied with Japanese standards.

Willett builds warehouses

WILLETT, a member of the Trafalgar House Group, has been awarded £8.5m worth of contracts. The largest is a £2.6m contract for construction of nine light industrial units at Wood Lane, White City, London W12, for Brookmount Estates. The 38-week project is due for completion in December. For the same client, Willett has been awarded a £2.5m contract to build a warehouse for the Modo Paper Co. at Oyster Lane, Byfleet, Surrey. The structure, which is due for completion in November, includes an integral office area. At St Peters Street, Colchester, Essex, the company is to construct a £1.5m three-storey steel-framed office building for Trafalgar House Developments. The brick-clad structure will have pre-cast floors and the contract also calls for some external works comprising block and black-top paved areas, services and drainage. Two refurbishment contracts totalling £1m have been awarded by Barclays Bank. The first involves refurbishment of Cornmarket Street and High Street branches in Oxford. As part of the contract, a number of the internal walls will be demolished and new banking halls created to further the banks' open-plan design theme. The second contract for Barclays is at Market Street, Crewkerne, Somerset, and involves refurbishment and alterations to the public areas on the ground floor and provision of a machine room on the first floor. For Trafalgar House (Industrial) Developments, Willett is building three industrial units, worth £800,000 at Southfields Business Park, Fenton Way, Basildon, Essex. The three units, which have a reinforced concrete and steel frame on piled foundations, are due for completion in October. A new wash and racking facility is to be built for Whitbread Developments at St Margarets Road, Cheltenham, Gloucestershire, for £200,000.

Piling and ground engineering

CEMENTATION PILING AND FOUNDATIONS, a Trafalgar House company, has won £7m of work ranging from contracts worth just a few thousand pounds to contracts worth over £1m. Contracts include all types of piling and ground engineering work with a complete UK geographical spread. Many of the projects will make use of significant developments in ground engineering and piling techniques which result in substantial time and cost savings. Beaufort House, Middlesex Street, London, is a new office block which will be constructed by main contractor, Bovis. The contract involves construction of piles ranging from 50 mm to 1.8 metre diameter using tripod, flight auger and large diameter techniques. In Ravens Meadows, Shrewsbury, a shopping mall is being constructed by John Laing Construction. Substructure work is now underway requiring about 400 750 mm concrete piles of depths up to 32 metres, plus a large number of 150 mm diameter piles. At Coppice Farm Way, Walsall, Cementation is carrying out grouting of deep old mine workings which will ensure safe ground conditions for construction of a housing development.

Indonesian embassy renovation

The refurbishment division of COSTAIN CONSTRUCTION has been awarded a £8.3m contract to refurbish the Embassy of the Republic of Indonesia at 38 Grosvenor Square, London W1. New building, repairs, and alterations to main structure will be carried out. The main building, fronting on Grosvenor Square, is Grade II* listed. This is to be restored, including the facade, staircase and principal rooms which include some fine painted ceilings. The remainder of the Embassy, occupying a mews at the rear with main elevation fronting Adams Row, will be demolished and a six-storey building will be erected. This will be a steel-framed structure with metal-deck floors and part stone-faced walls, supported on about 105, 450mm diameter, flight-augured piles.

★

FAIRCLOUGH BUILDING has won two contracts for retail developments in the Midlands, with a combined value of £5m.

In Carlton, Nottingham, the company is management contractor for a 5,000 sq. metres superstore for Hillards. Completion is scheduled for November.

W. H. Smith has appointed Fairclough to build a 3,500 sq. metre "Do-It-All" store in Kettering, consisting of sales area, offices and staff accommodation. Fairclough, part of the AMEC group, expects to complete in July.

Over £5m housing orders

Building contracts totalling £5.5m have been won by WHEELDON BROTHERS, a subsidiary of Raine Industries. The largest, worth £1m, is from the Sutton Housing Trust, for 38 flats in Reginald Street, Derby. The company has also been awarded a £828,000 contract from the North British Housing Association to build 58 single flats in Cowley Street, Basford and a £917,000 contract from Erewash Borough Council for a family leisure centre. In Nottingham, the company has been awarded an £827,000 contract by Anchor Housing Association to build a block of 33 flats in St Annes Well Road and the Nottingham Health Authority has placed a £894,000 contract for a Community Mental Health Centre. Other projects include: building phase II of Carsington Crescent for Derwent Housing of Derby (£452,000); building bungalows at Walton Hospital for the North Derbyshire Health Authority (£165,000); and constructing a block of flats at Chantry Court, Tideswell for West Derbyshire County Council (£148,000).

★

J. F. DONELON AND CO. has been awarded a £4.5m contract by the Metropolitan Borough of St Helens to construct the main interceptor sewer from Ashcroft Street to the Parr effluent treatment works. The major part of the contract is a 1.5km pipeline of 2.4 metres diameter to be constructed by mechanised pipe jacking, using one of Donelons Lovat TBMs. The work also involves sinking 22 shafts, a short section of heading and open-cut pipe laying.

Donelons have commenced work on the £4m Halifax main sewerage reconstruction scheme, Stage 2 for the Borough of Calderdale. The contract involves construction of 1,250 metres of tunnel using a Lovat TBM with rockhead, eight shafts, ancillary connecting sewers and a reinforced concrete storm water overflow.

★

The Scottish Metropolitan Property, Glasgow, has awarded a contract worth almost £4.5m to ALFRED McALPINE CONSTRUCTION to build seven retail warehouse units and three blocks of light industrial workshops in Chester. The warehouse elevations will be clad in Hoesch panels above a brick dado wall. The contract also involves laying associated roads and drains, and landscaping and paving. The contract will last nine months. Whatlings (Foundations), part of the group, has a contract worth £350,000 from A. G. Barr, soft drinks manufacturer, for consolidation work in Glasgow. This will involve making secure by grouting, old underground coal workings at premises at Parkhead to prepare for a new warehouse and distribution centre.

★

The new BHS store in Mansfield, Nottinghamshire, is to be fitted out in 26 weeks by SHEPHERD CONSTRUCTION under a contract worth over £3m. Shepherd will carry out the complete fitting-out of the new store in Mansfield's Westgate. Work on site will begin this month,

Refurbishing St. Thomas's

HENRY BOOT is to undertake works costing £8.85m at St Thomas' Hospital, London, involving alterations, additions, refurbishment and construction in the hospital's south wing. Most of the accommodation is over 100 years old necessitating extensive and complex mechanical and electrical services, medical gas and plant room installations. Work on the two-year project is to start on June 1.

This advertisement complies with the requirements of the Council of The Stock Exchange and does not constitute an offer of, or an invitation to subscribe for or purchase, any securities.

DG FINANCE COMPANY B.V.
(Incorporated with limited liability in The Netherlands with its statutory seat in Amsterdam)

Australian $50,000,000

14% per cent. Notes due 1992

Secured on a Deposit with DG BANK Deutsche Genossenschaftsbank in Frankfurt am Main

Issue price 101½ per cent.

The following have agreed to subscribe or procure subscribers for the above Notes.

DG BANK
Deutsche Genossenschaftsbank

ANZ Merchant Bank Limited	Bank of Tokyo International Limited
Banque Bruxelles Lambert S.A.	Berliner Handels- und Frankfurter Bank
CIBC Limited	Commerzbank Aktiengesellschaft
Coöperatieve Centrale Raiffeisen – Boerenleenbank B.A.	Dresdner Bank Aktiengesellschaft
Fay, Richwhite (U.K.) Limited	Genossenschaftliche Zentralbank AG Vienna
Hambros Bank Limited	Kredietbank N.V.
Morgan Guaranty Ltd	Morgan Stanley International
Orion Royal Bank Limited	Sumitomo Finance International
Swiss Bank Corporation International Limited	Swiss Volksbank, London Branch Licensed Deposit Taker
S. G. Warburg Securities	Westpac Banking Corporation

Application has been made to the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange") for the Notes to be admitted to the Official List. Interest on the Notes is payable annually in arrear on 21st April, commencing on 21st April, 1988.

Listing particulars relating to DG Finance Company B.V. and the Notes are available through Extel Financial Limited and copies may be obtained during usual business hours on any weekday (Saturdays excepted), up to and including 15th April, 1987, from the Company Announcements Office of The Stock Exchange and, up to and including 27th April, 1987 from:

Bankers Trust Company
Dashwood House
69 Old Broad Street
London EC2P 2EE

Cazenove & Co.
12 Tokenhouse Yard
London EC2R 7AN

13th April, 1987

ASSOCIATED BRITISH PORTS HOLDINGS PLC

GROUP ACTIVITIES INCLUDE:

PORTS • PROPERTY DEVELOPMENT
• RESEARCH & CONSULTANCY •

1986 RESULTS

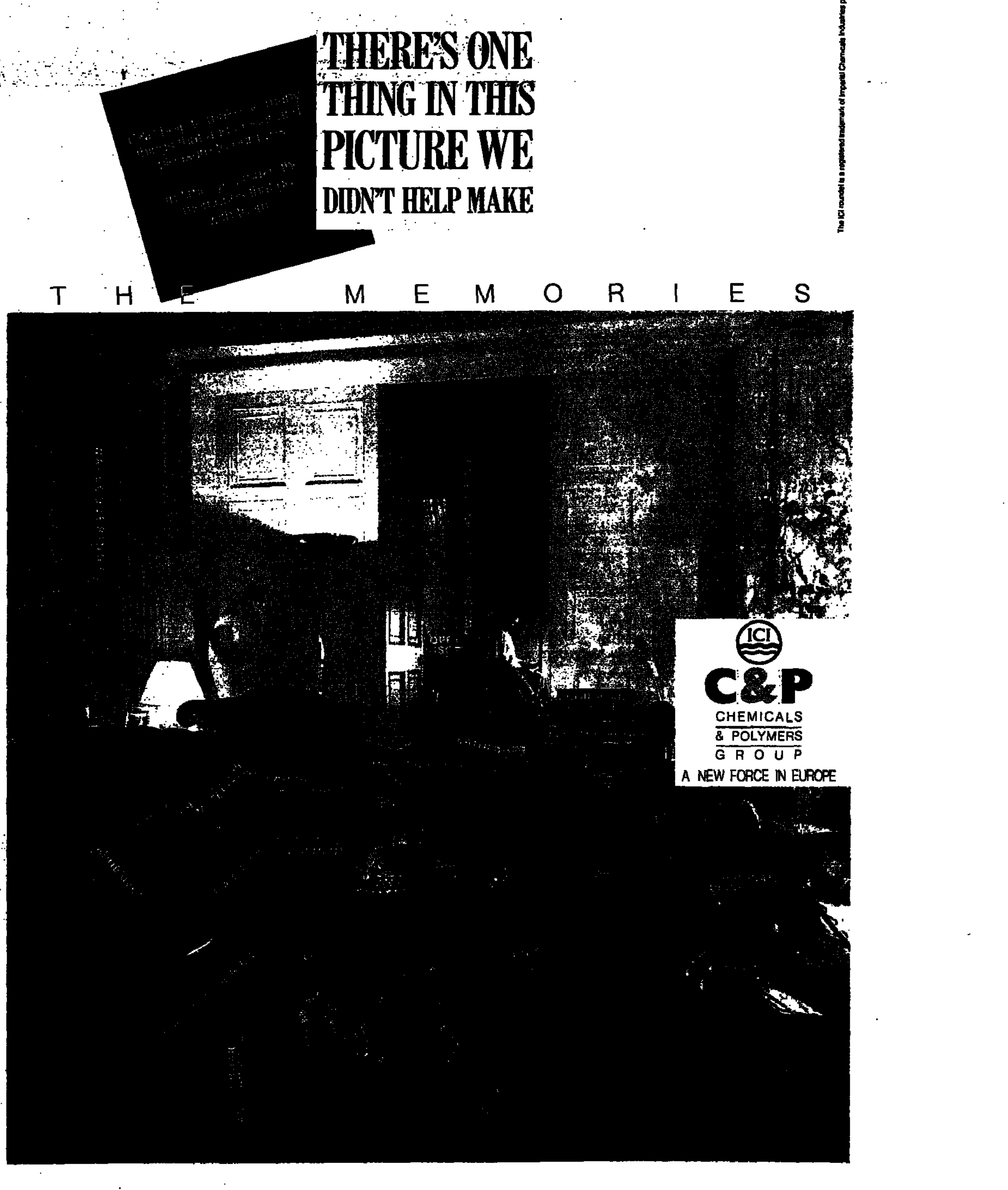
	12 months to 31st December 1986	12 months to 31st December 1985
Turnover (port services)	£150.8m	£138.2m
Profit before tax	£26.0m	£17.2m
Earnings per share	22.4p	*16.0p
Dividend per share	6.0p	*5.0p

*Adjusted for 1 for 1 scrip issue

SUMMARY OF THE STATEMENT BY SIR KEITH STUART, CHAIRMAN

- **PROFITS** There was a further substantial improvement in profits and earnings per share. The dividend is increased by 20%.
- **PORTS** Profits from port services were up from £13.2m to £20.3m before interest of £2.3m and after £3.7m severance costs. The benefits of recent investment in new port facilities are coming through.
- **PROPERTY** Profits from property activities rose from £5.5m to £6.4m. We aim to increase the profit contribution from property both by redeveloping areas of land at the ports and by increasing property activity elsewhere. The recent acquisition of Grosvenor Square Properties has given a major boost to the Company's property development programme.
- **PROSPECTS** Our strong financial position, continuing investments and growing property activities point to further expansion in the future. A good start has been made to 1987, and prospects for the year are excellent.

ASSOCIATED BRITISH PORTS HOLDINGS PLC
150 HOLBORN, LONDON EC1N 2LR
TELEPHONE: (01) 430 1177 TELEX: 23913 FACSIMILE: (01) 430 1384



NOTICE OF REDEMPTION

To the Holders of

IC Industries Finance Corporation N.V.

14% Guaranteed Notes Due 1989

Guaranteed as to Payment of Principal, Premium and Interest by IC Industries, Inc.

NOTICE IS HEREBY GIVEN that pursuant to the provisions of the 14% Guaranteed Notes Due 1989 (the "Notes") and the Fiscal and Paying Agency Agreement dated as of May 15, 1982 among IC Industries Finance Corporation N.V. (the "Company") IC Industries, Inc. (the "Guarantor") and The Chase Manhattan Bank, N.A. (the "Fiscal and Paying Agent"), the Notes of the Company will be redeemed on May 15, 1987 (the "Redemption Date") at a redemption price of 100.5% of the principal amount thereof (the "Redemption Price").

On the Redemption Date, the Redemption Price will become due and payable on the Notes and will be paid upon presentation and surrender of Notes, together with all appurtenant coupons maturing subsequent to the Redemption Date. On and after the Redemption Date, interest on the Notes will cease to accrue.

Coupons which shall mature on, or shall have matured prior to, the Redemption Date should be detached and presented for payment in the usual manner.

Notes, together with all appurtenant coupons maturing subsequent to the Redemption Date, should be presented and surrendered for redemption at any of the following paying agencies:

The Chase Manhattan Bank, N.A.
Corporate Bond Redemptions
Box 2020
1 New York Plaza—14th Floor
New York, New York 10081

The Chase Manhattan Bank, N.A.
P.O. Box 440
Woolgate House, Coleman Street
London EC2P 2HD, England

Chase Manhattan Bank, Luxembourg, S.A.
Coin Boulevard Royal & Grand Rue
CP240
Luxembourg, Luxembourg

Chase Manhattan Bank (Switzerland)
Gartenstrasse 24
Postfach 182
8027 Zurich, Switzerland

Payment pursuant to presentation of Notes for Redemption to the Fiscal and Paying Agent in New York, New York, or other payment made within the United States, including a payment made by transfer to a United States dollar account maintained by the payee with a bank in the United States, may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding of 20% of the gross proceeds (including premium) if a payee fails to provide the paying agent with an executed IRS Form W-8 in the case of a non-U.S. person or an executed IRS Form W-9 in the case of a U.S. person. Those holders who are required to provide their correct taxpayer identification number on IRS Form W-9 and who fail to do so may also be subject to an IRS penalty of U.S. $50. Accordingly, please provide all appropriate certification when presenting the Notes for payment.

IC INDUSTRIES FINANCE CORPORATION N.V.
By: The Chase Manhattan Bank
(National Association)
as Fiscal and Paying Agent

Dated: April 6, 1987

NOTICE OF REDEMPTION TO THE HOLDERS OF

COMCAST CORPORATION

(Incorporated in the Commonwealth of Pennsylvania)

U.S. $50,000,000

7 per cent. Convertible Subordinated Debentures due 2000 Convertible into Class A Common Stock of Comcast Corporation

NOTICE IS HEREBY GIVEN that Comcast Corporation has elected to redeem all of its outstanding 7 per cent. Convertible Subordinated Debentures due 2000 (the "Debentures") on May 27, 1987 (the "Redemption Date"), at the redemption price of 105 per cent. of their principal amount, together with interest accrued thereon from September 4, 1986 to the Redemption Date in the amount of US$51.14 per US$1,000 Debenture, or US$1,101.14 (the "Redemption Price").

On May 27, 1987, the Redemption Price will become due and payable upon all Debentures, and interest on the Debentures shall cease to accrue on and after that date.

All Bearer Debentures, together with all interest coupons appertaining thereto, maturing after the Redemption Date, are to be surrendered for payment of the Redemption Price at the specified offices of any of the following paying and conversion agents: (a) Bankers Trust Company, Dashwood House, 69 Old Broad Street, London EC2P 2EE, (b) Banque Indosuez Belgique (Formerly Banque du Benelux S.A.) rue des Colonies 40, 1000 Brussels, Belgium, (c) Banque Indosuez Luxembourg, 39 Allee Scheffer, L-2520 Luxembourg, (d) Bankers Trust Company at 12-14 Rond Point des Champs Elysees, 75386 Paris, Cedex 08, France, (e) Swiss Bank Corporation, Aeschenvorstadt 1, CH 4002 Basle, Switzerland and (f) Bankers Trust GmbH Bockenheimer, Landstrasse 39, P.O. Box 2665, 6000 Frankfurt/Main 1, West Germany. All registered Debentures are to be surrendered for payment of the Redemption Price at the Corporate Trust Office of Bankers Trust Company in the Borough of Manhattan, The City of New York, or, at the option of the holder, at the office of any of the paying agents, subject to applicable laws and regulations.

The Debentures are convertible into Class A Common Stock of Comcast Corporation ("Common Stock") up to the close of business on May 27, 1987. Bearer Debentures may only be surrendered for conversion at an office of a conversion agent outside the United States. Registered Debentures may be surrendered for conversion at the Corporate Trust Office of the Trustee in New York City or, at the option of the holder, at the office of any of the conversion agents subject to applicable laws and regulations. Each US$1,000 principal amount of Debentures is convertible into 62.8272 shares of Common Stock, after giving effect to a three-for-two stock split effected in December, 1986. Based on the closing price of the Common Stock on April 7, 1987, of US$22.75, each US$1,000 Debenture would convert into approximately US$1,429.32 worth of Common Stock. The right of conversion will terminate at the close of business on May 27, 1987. No payments in respect of interest (except in respect of matured coupons in the case of Bearer Debentures), dividends or fractional shares shall be made upon conversion of any Debenture. A cash payment in lieu of fractional shares will be made on the basis of the last reported sale price of the Class A Common Stock on the NASDAQ National Market on the business day preceding the day of surrender of the Debentures for conversion.

Holders of Debentures who wish to convert their Debentures into Common Stock should tender their Debentures for conversion no later than the close of business on May 27, 1987, together with all interest coupons appertaining thereto maturing after such date, in the case of *Bearer Debentures*.

COMCAST CORPORATION

April 13, 1987 By: Bankers Trust Company as Trustee

DIARY DATES

Trade fairs and exhibitions: UK

April 14-16
International Trenchless Construction for Utilities — Conference and Exhibition (0923 778311)
Kensington Exhibition Centre

April 14-16
International Book Fair (01-940 6065) Olympia

April 17-18
Cash and Carry Fashion Fair (01-727 1929)
Kensington Town Hall

April 24-26
Atari Computer Show (061-456 8835) Novotel

April 26-May 4
London International Furniture Show (01-385 1200) Earls Court

April 26-28
International Confectionery Market Exhibition — INTERCONFEX (01-661 4900)
NEC, Birmingham

April 27-30
Audio Visual Exhibition (01-688 7788)
Wembley Conference Centre

April 28-30
British Electronics Week (0799 26699) Olympia

April 29-30
London Engineering Design Show (0895 58431)
Sandown Exhibition Centre

May 1-13
Northern Ideal Home Exhibition (0602 501202)
G-Mex Centre, Manchester

May 2-4
Photographic Exhibition (01-661 4900) NEC, Birmingham

May 7-9
Scottish Freight Transport and Distribution Exhibition Conference (01-642 7688)
Aviemore Centre

Overseas

April 16-18
International Electro-Optics and Laser Exhibition (01-940 3777)
Tokyo

April 22-28
International Computer & Office Automation Exhibition — KIECO (01-439 0501) Seoul

April 25-30
International Wire and Cable Production and Wire Products Exhibition—WIRE ASIA (06833 7755) Beijing

May 5-9
International Footwear and Leather Goods Show (01-379 0765) Taipei

May 6-10
International Contract Floor Coverings Exhibition (01-734 0543) Frankfurt

May 8-13
International Industrial, Automation, Process Control Technician and Equipment Exhibition CHINA INPROTECH (02403 29406) Beijing

May 17-20
Business Efficiency Exhibition—BEE/OFEX (02403 29406)
Hong Kong

May 20-28
International Technical Fair (spring) (021-705 6707)
Budapest

Business and Management Conferences

April 14
The Industrial Society: Is the City poaching the high flyers? (01-839 4300)
41 Charles Street, W1

April 24
CBI: Making and using sales forecasts (01-379 7400).
Centre Point, WC1

April 27
Financial Times: The regulatory issues facing foreign banks in London (01-621 1355)
Barber-Surgeons' Hall, London

May 1
HS Conference Studies: Stansted Airport and the Essex/Hertfordshire Interface — opportunities for development (01-935 2882)
Cafe Royal, W1

May 6-7
Financial Times: The fifth FT manufacturing forum (01-621 1355)
Hotel Inter-Continental, W1

May 11-12
Financial Times: World textiles into the 1990's (01-621 1355)
Hotel Inter-Continental, W1

May 11-12
Practising Law Institute: Foreign Investment in the United States after the Tax Reform Act of 1986 (NY (212) 765-5700)
New York Hilton

May 11-15
ISATA: 16th International Symposium on Automotive Technology and Automation (01-680 8659) Florence

May 12
Institute of Directors: The Inland Revenue and the Company Executive (01-839 12331)
116 Pall Mall, SW1

May 13
Longman Seminars: Defaulting debtors: how to avoid them and what to do if you fail (01-242 4111) Cavendish Conference Centre, W1

May 13-14
Financial Times: The tenth FT World electronics conference (01-621 1355)
Inn on the Park, W1

May 18-20
IMECHE: European congress on fluid machinery for the oil, petrochemical and related industries (01-2227899) The Hague

May 19-20
Campaign Marketing: The advertising and marketing conference (01-680 7525)
Royal Lancaster Hotel, W2

May 19-21
Spectra: Retail Europe '87 (0734 794161) Novotel, London

May 28
Tolley Publishing: CSR spring updating (01-680 5682)
London Press Centre

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

Finance

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Charterhall, 1 St. James' Court, S.W., 10.30

BOARD MEETINGS—
Finals:
Allied Insurance Brokers
Baynes (Charles)
Blue Circle Industries
Bodycote International
Child Health Research Inv. Trust
Dewhirst (I. J.)
Fortnum and Mason
London and Metropolitan Estates
Lyon and Lyon
Morgan Crucible
Mowlem (John)
Photax (London)
Quarto
Rademec
Sovereign
Technology Project Services
Usher (Frank)
Yule Catto
Interims:
Glaxo
Highland Distillers
Rand Mines

DIVIDEND & INTEREST PAYMENTS—
Acatos and Hutcheson 3.75p
American Electronic Components 0.35p
First Leisure 5p
Kuala Lumpur Kepong Berhad $M0.05
Lex Service 6.5p
Motorola 16cts.
Rush and Tompkins 2.75p
Ryman 0.6p

TOMORROW

COMPANY MEETINGS—
Commercial Bank of Near East, Bankside House, 107-112 Leadenhall Street, E.C., 11.00
Kleinwort Overseas Inv. Tst., 10 Fenchurch Street, E.C., 12.45
Marinex, Brook House, 98-99 Jermyn Street, S.W., 10.30
Persimmon, Royal York Hotel, Station Rd., York, 11.30
Rotunda, Britannia Hotel, Portland Street, Manchester, 12.00
Task Force, 9 Moorfields Highwalk, E.C., 12.00
Trencherwood, Ramada Hotel, Oxford Rd., Reading, Berkshire, 12.00

BOARD MEETINGS—
Finals:
Barham
Bentalls
Guthrie
Norfolk Capital
RMC
Savoy Hotel
Steel Brothers
Taylor Woodrow
Telephone Rentals
Ward White

DIVIDEND & INTEREST PAYMENTS—
Australia (Commonwealth of) 9½pcLn. 2012 4¾pc
B.B.L. Intnl. $150.09
GT Berry Japan Fund $0.1413
United States Debenture 4.27p

WEDNESDAY APRIL 15

COMPANY MEETINGS—
Anglia Television, Magdalen Street, Norwich, 12.00
Anglo-American Secs., 46 New Broad St., E.C., 3.30
Ansbacher (Henry) Trinity House, Via Woodruffe House, Coopers Row, E.C., 11.45
Clerical Medical, 15 St. James's Square, S.W., 2.30
Johnstones Paints, Albert House, Jowetts Walk, Manchester Road, Ashton-under-Lyne, 11.30
Provident Financial, Norfolk Gardens Hotel Hall Ings, Bradford, West Yorkshire, 12.00

BOARD MEETINGS—
Finals:
Argo-Europe
Bardsey
British Mohair
Carlton Inds.
Cory (Horace)
Fisher (Albert)
Hawker Siddeley
Helene of London
Laporte Industries
Lawrence (Walter)
Parambe
Pearl
Sindall (Wm.)
United Ceramic Distributors
Interims:
Anchor Chemical
Astra Holdgs.
Humberside Electronic Controls
McKechnie
New Central Witwatersrand Areas
Smiths Industries
Wade Potteries

DIVIDEND & INTEREST PAYMENTS—
Alexander and Alexander 11pc Cnv. 2007 5½pc
American Brands 12½pcLn. 2009 6¼pc
Arbuthnot Govt. Secs. Tst. 2.5p
Bank of New York Overseas Finance Gtd. Fltg. Rate Nts. Jan. 1996 $157.81
Bell Canada 60cts.
Canadian Pacific Secs. 16¼pc Gtd. Nts. 1989 8.1875p
Cantors 1p. Do. A 1p
Chrysler 0.25cts.
Citicorp *Overseas* Finance Gtd. Fltg Rate Nts. 1982 $153.13
Commercial Bank of Near East 30p
Eldridge, Pope 6½pcLn. 3¼pc. 7½pcLn. 3¾pc
Federated Housing 9½pcPf. 4.3025p
Finland (Rep. of) 11½pcLn. 2009 5¾pc
Fleming American Inv. Tst. 4.25p
Henderson Prime Residential Prop. 0.2287p
High-Point Services 1.75p
Investors in Industry Fltg. Rate Nts. 1994 £138.7
McLeod Russel 8.4pcPf. 4.2p
Malaysia Fltg. Rate Nts. 2015 $311.4
Manders 1.75p
Mercury Transatlantic Tst. 41p
Merton (London Borough of) 11¼pcRed. 2017 5⅝pc
Met. Water 3pcDb 1½pc
Nationwide Building Soc. Fltg. Rate Nts. 1996 £138.39
Norcros 13¼pcDb 1990-95 7⅛pc
Occidental Pet 0.625 cts
Pacific Gas and Electric 0.48cts.
Peachey Prop. 10.75pc1stDb. 2015 5⅜pc
Quaker Oats 20cts.
Rexmore 13pcPf. 1991-92 6.5pc
Richards 4pcPf. 1.4p. 5½pcPf. 1.44375p
Sea Containers 52.5cts.
Warner Est. 10½pcPf. 5.375p
Watney, Mann and Truman 6pcDb. 1989-1994 3pc
Wells Fargo Fltg. Rate Nts. July 1997 $162.5

THURSDAY APRIL 16

COMPANY MEETINGS—
Chambers and Fargus, 189-197 Wincolmlee, Hull, North Humberside, 11.00
City and Foreign, 11 Devonshire Square, E.C., 10.00
Ladies Pride, Allen House, Newarke St., Leicester, 11.45
Sedgwick, Sedgwick Centre, E.C., 12.00
Spong, Ironmongers' Hall, Aldersgate Street, Barbican, E.C., 12.00
Sycamore, Piccadilly Hotel, Manchester, 11.00

BOARD MEETINGS—
Finals:
Atlas Converting Equipment
Camellia Invs.
Eastern Produce
Nyman
Scottish Mortgage Trust
Smaller Companies Intnl. Trust
Spear (J. W.)
Toye
Interims:
British Empire Sec. and General Trust
Kalamazoo

DIVIDEND & INTEREST PAYMENTS—
Abercom 6cts.
Alliance Tst. 17.5p. 4pcPf. 1.4p. 4¼pcPf. 1.4875p. 5pcPf. 1.75p
Alumasc 2.5p
Edinburgh American Assets Tst. 0.65p
Electron House 1.5p
Framlington 8p
General Mining Union 150cts. 8.5pcPf. 113.25cts. 12.5pcDb. 168.75cts.
Kleinwort Gwnt. Fund 2p
Ladies Pride 0.25p
Merivale Moore 1.5p
Metal Bulletin 3.15p
RBC Intnl. Cap. Fund 21.5cts.
St. Andrew Tst. 2.25p
St. Modwen Props. 0.2p
Stockholders Far East Inv. Inc. 1.5cts.
Swansea (City of) 12¼pc 2006 6⅛pc
Treasury 2½pc I-L 2020 £1.4738
Yorkshire Chemicals 3.5p

FRIDAY APRIL 17

DIVIDEND & INTEREST PAYMENTS—
Chrysler Overseas Cap. 5pcDb 1988 $10.27. 4¼pcDb. 1988 $19.61

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13th April 1987

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Chairman and Chief Executive, Neste Oy

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In the recent Budget, the duty on unleaded petrol was reduced–so now it's no more expensive than leaded petrol.

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Well, it may interest you to know that already many cars can run on unleaded petrol, and the number is increasing daily. In fact, very soon all new cars will be designed to run on unleaded.

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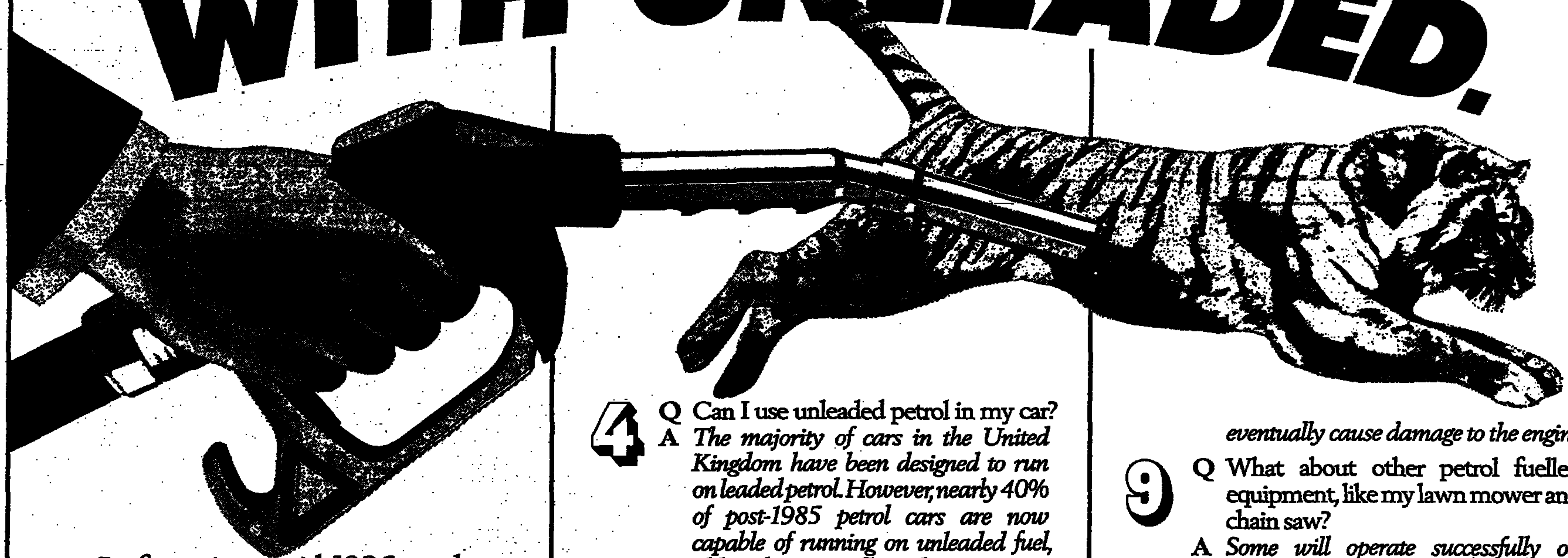
And in this 1987 European Year of the Environment, Esso is taking firm steps to help achieve this goal.

LEAPING FORWARD WITH UNLEADED.



In fact, since mid-1986 we have already introduced a national network of over 100 strategically chosen sites selling Esso Unleaded.

For motorists, the changeover will probably raise more questions than answers, which is why we've produced this page.

Alternatively, pick up the Esso Unleaded leaflets, including our Service Station Site Directory, at your nearest Esso Station.

We hope you will find them helpful.

1
Q What is unleaded petrol?
A *It is petrol to which no lead has been deliberately added.*

2
Q Why is lead added to petrol?
A *Small quantities of lead compounds can be added to petrol to increase its octane number. This allows the use of higher compression ratio engines with more ignition spark advance, which means improved engine efficiency and fuel economy. To replace lead we have to introduce more high octane compounds to compensate.*

3
Q What is 'low lead' petrol compared to unleaded?
A *Low lead refers to the normal leaded petrol which is currently available. This is because the lead content was reduced in all petrol to 0.15g per litre on 1st January 1986 from its previous level of 0.40g per litre, in line with British Standard 4040. Unleaded petrol is allowed to contain up to 0.013g per litre which is why it cannot be called 'lead free', although on the Continent this term may be used where unleaded cannot be translated.*

4
Q Can I use unleaded petrol in my car?
A *The majority of cars in the United Kingdom have been designed to run on leaded petrol. However, nearly 40% of post-1985 petrol cars are now capable of running on unleaded fuel, although most will need some minor adjustments to allow this. Eventually all new petrol cars will incorporate the necessary modifications for them to run on unleaded. Before attempting to use unleaded petrol you should check first with your car dealer or motor manufacturer.*

5
Q What is a catalytic converter?
A *Although not legally required in the UK at present, a catalytic converter is a device that can be fitted to the exhaust system. When the exhaust fumes pass through the converter, emissions such as nitrogen oxide and carbon monoxide are burnt up or oxidised. Unfortunately, lead damages the catalysts, so they are only effective on cars already using unleaded petrol.*

6
Q Where can I buy unleaded petrol?
A *Esso were the first company in the UK to put unleaded on sale. And since then we have been increasing the number of our service stations that sell unleaded petrol. We now have more stations selling unleaded than all our competitors put together. For details of where you can buy Esso Unleaded please pick up a FREE copy of our latest site directory from any Esso station.*

7
Q How will I know which pump dispenses unleaded petrol?
A *Esso Unleaded pumps are clearly marked UNLEADED and will usually have a small pump nozzle and identification cover marked UNLEADED on the nozzle.*

8
Q What happens if I inadvertently put the wrong fuel in my car?
A *Given the safeguards mentioned above it would be very difficult for you to do so. However, an isolated incident may not be too serious. Unleaded petrol used in an engine designed to take leaded, or leaded petrol used in an unleaded engine, could eventually cause damage to the engine.*

9
Q What about other petrol fuelled equipment, like my lawn mower and chain saw?
A *Some will operate successfully on unleaded. However, you should check with the manufacturer or dealer for specific advice and follow their recommendations.*

10
Q For how long will leaded petrol continue to be available?
A *Unleaded petrol will be phased in over a number of years. Therefore both leaded and unleaded will be available for a transition period which will be as long as the present product is required to supply today's cars.*

11
Q What happens if I take my car to the Continent?
A *Both leaded and unleaded petrol are available in Europe. There may be slight differences in unleaded to take account of local conditions, but this is unlikely to affect a car that can run on unleaded petrol.*

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Reagan bonds may yet rescue the dollar

JOHN PLENDER

SO SHORT has the life cycle of the average currency agreement become that it almost puts the last generation of silicon chips to shame. That is the polite way to rationalise the market response to last week's attempt by the world's top finance ministers in Washington to stabilise the dollar.

The market's snub for the Group of Seven underlines the fact that it is easier to talk the dollar down than to talk it into equilibrium, especially when there is an unusual degree of consensus among economists on some pretty mechanistic fundamentals. Broadly speaking, they feel that the dollar has fallen far enough to cause pain to the Germans and Japanese, but nowhere near enough to eradicate the US trade deficit. It follows that any agreement which rests on a joint assertion that currencies are broadly in line with economic fundamentals is no more than the *haute banque* equivalent of whistling to keep up your spirits. What, then, would satisfy the markets?

The conventional answer was hinted at by Nigel Lawson, the British Chancellor, last Thursday when he said that "if you will the end of exchange rate stability, you also have to will the means." In other words, governments must been seen to honour cooperative commitments to adjust their own fiscal and monetary policies so as to make a given currency alignment stick.

The trouble is that we have had a veritable fistful of unfulfilled promises on the US budget deficit and on fiscal expansion in West Germany and Japan. Indeed, it is surprising how anxious the financial markets have been to go on granting finance ministers a fair hearing. Henceforth the money men may take more convincing. Perhaps the most convincing gesture that the US Treasury could offer —a real litmus test of the desire for longer-term stability—would be to put its money where its mouth is by issuing D-mark and yen denominated bonds.

It has been done before. In November 1978 President Carter announced a package of financing measures, then valued at around $30bn, to shore up the plummeting dollar. An important component was the issue of D-mark bonds, which immediately came to be known as Carter bonds. With hindsight, two of the more striking things about the package were the superb timing by the US Treasury and the smallness of the trade deficit over which the markets were in a panic.

Given that precedent, the psychological significance of an issue of Reagan bonds would be immense. At present the United States is the world's biggest debtor, with a mountain of obligations that will approach $1,000bn by the end of this decade. Unlike other countries, this potential trillionaire debtor is borrowing in its own currency; so when US Treasury Secretary James Baker talks down the dollar, he is reducing the value of US obligations in foreign hands.

Any move to raise very large sums in D-marks and yen would imply that further dollar devaluation could not be engineered without inflicting a painful increase in debt servicing costs and in the value of the ultimate obligation to repay. If the dollar ceased to fall, the US Treasury would be able to finance its own deficit more cheaply because D-mark and yen interest rates are lower than American rates.

There are wider reasons for bringing about a shift in the composition of credit from domestic dollars to foreign currency in a period when the emphasis of US economic growth is changing from domestic demand to exports. The servicing of currency debt issues by the Treasury would provide a regular buyer for US exporters' foreign exchange earnings. And as Edward Guay, chief economist of Cigna Corporation, has pointed out, currency financing would contribute to a modest reduction in the worldwide over-emphasis on the dollar as a credit vehicle.

He adds that it would also permit the Federal Reserve to slow the growth of broad money in the US without causing liquidity pressures, while simultaneously mopping up some of the excess liquidity that is pumping the Tokyo stock market into a 1929-style frenzy.

West Germany and Japan would probably not object to a little help from America in managing their own liquidity surpluses; the Germans, in particular, have always made a fetish of sound money as they continue to fight the anti-inflationary battles of the 1930s. More important, their private investors have sustained substantial losses on dollar portfolios, as have the central banks, as they pile up dollar reserves in the attempt to prevent their currencies appreciating still more against the dollar.

The more weighty obstacle probably lies in the White House. For while President Reagan no longer appears to believe that the US cannot walk tall in the world without a strong dollar, the prospect of following in President Carter's footsteps at the dog end of an increasingly troubled presidency must be singularly unappetising. There is already an awful political symmetry in the way both men came unstuck in their handling of the Iranians. To add an economic dimension by issuing Reagan bonds would be seen as doubly humiliating.

This does not mean that it will never happen. At some stage the option may look more appealing than a Draconian hike in interest rates if the dollar goes into a tail-spin. That will be the time to put money on a durable currency accord.

INTERVIEW

Never a foot in touch

Hugh Carnegy talks to former rugby star Tony O'Reilly

THERE is a great danger, if you are at all interested in the game, that an interview with Dr Anthony J. F. O'Reilly—or plain Tony O'Reilly as he is everywhere known in his native Ireland—will be about nothing else but rugby football.

Never mind his remarkable ascent to the top of the American food company H. J. Heinz and his transformation of its fortunes. Forget his intense style of management and his keen eye for a market.

His thoughts on corporate affairs in the US and Europe, on the food industry worldwide and on the travails of his homeland can wait. Instead, sit back and enjoy a few humorous tales from his days as an international rugby wing three-quarter for Ireland and the British Lions.

Question: Whose international rugby career spanned three decades? Answer: Tony O'Reilly, capped in the 50s, 60s and 70s. Thereby hangs a tale, of course. His last game for Ireland was against England at Twickenham in 1970, a surprise recall at the age of 34. Already managing director of Heinz UK, it was celebrated for his arrival at training in a chauffeur-driven limousine and the headline "Heinz meanz haz beanz."

Towards the end of the game —which England won—O'Reilly found himself the last line of defence. "I had to do something I had avoided doing for my entire career which is dive on the ball. So I dive on the ball and receive what centuries of Irishmen received from passing Englishmen which is a boot in the back of the head. I come to after 30 seconds or so and I can hear this great cacophony of sound. Out of it, quite clearly, comes one Irish voice shouting: "And kick his bloody chauffeur while you're at it."

He returns to Castlemartin, his handsome early 18th-century manor house in County Kildare, for as many Ireland matches as he can.

But outside Castlemartin's glass-fronted breakfast room, the early morning mist is lifting from the River Liffey and the conversation must move on.

A few weeks ago, O'Reilly was appointed chairman of H. J. Heinz company following the death of Henry J. Heinz II. He is the first person outside the Heinz family to hold the post in the company's 117-year history and he assumes it in addition to his positions as president and chief executive officer.

He was made chief executive in 1973, two years after moving to the company's Pittsburgh headquarters and just four years after joining Heinz as managing director of the UK operation. Prior to that he had served as head of the Irish Sugar Company and the Irish dairy board, Bord Bainne, for whom he launched the highly successful Kerrygold butter.

Kerrygold is regarded as an early success for O'Reilly's marketing skills. These he brought to bear on Heinz where since 1976 the marketing budget has risen eight times to $350m a year. It has helped Heinz become one of the top three performers in the food industry.

● PERSONAL FILE

1936 Born Dublin; educated Belvedere College, Dublin; University College Dublin and Bradford University.
***1955** Wins first of 29 rugby caps for Ireland and 10 British Lions.*
1961 Joins Irish Dairy Board
1962 Married Susan Cameron, three sons, three daughters.
1966 Managing director, Irish Sugar Company.
1969 Managing Director, Heinz UK
1971 Senior vice president Heinz North America and Pacific.
1972 Executive vice president and chief operating officer, H. J. Heinz Co.
1973 President and chief executive officer, H. J. Heinz.
1987 Chairman H. J. Heinz.

It has been done by strengthening the old faithfuls of ketchup, baked beans and soups and expanding into baby food, cat food — "the number of cats in the US is in excess of 50m so the pet food business is the fastest growing sector of the grocery business," he says — and especially health foods. Heinz acquired Weightwatchers, now a great money spinner, and O'Reilly looks to "calorie-reduced, microwaveable" foods as the way of the future.

Like cats, like humans: O'Reilly looks for populous markets for development. Heinz is making baby foods in China.

O'Reilly, at 51, has no hesitation in saying that he remains Irish, not American. Despite a definite slant to his accent and all the aura of a successful American executive, Ireland is where he will eventually see out his days. In the meantime he has found no particular difficulty in adjusting to the style of business life in the US. "In-

O'Reilly is well placed to observe the takeover phenomenon and he has clear views about it. "I'm not an uncritical admirer of what's happened but I think two things have happened that are very exciting. The first is that the incidence of the LBO—the leveraged buyout—has given to management a power and authority that they never had before. Because if they believe very strongly in a business, it is possible for the management themselves to raise very large aggregates of capital. So that in the old days where capital appeared to belong to other people, today it belongs to those with managerial capability.

"That is a very healthy development and it is a flattering development for management."

"The second thing is that because capital markets, particularly in the United States, are so mobile, no management can afford to be complacent. If they undermanage the assets of which they are trustees, they will come up on a screen and they will be, in the idiom of the market place, put in play. And that is an enormous catalyst, in my view a positive catalyst, for managerial performance.

"I think therefore that the vitality of American capital markets exorcises complacency. You can almost guarantee that everyone in corporate America is scared."

He chuckles at this conclusion, but later retracts it in favour of what he calls the infusion of "controlled tension in the marketplace.

"And the way you control the tension is by performance. It's very like football. You'd better train and you'd better play well, not just last Saturday but next Saturday. That's the expectation of the United States. Every quarter, every half-year, every year."

His system at Heinz of binding managers' rewards tightly to performance and stock options is framed by this. "You don't get a lot of money for just turning up for work . . . I believe there should be symmetry between the shareholders in the company and the management. They should prosper together or suffer together." His top managers earn between $800,000 and $900,000 a year and each have Heinz stock worth more than 15 times that —"a rather decent sum," he remarks.

O'Reilly's belief in management is not dented by affairs such as the scandal which erupted last year involving Allegheny International, the Pittsburgh company which he serves as a non-executive director.

The US Securities and Exchange Commission is investigating Allegheny to determine whether the company violated shareholders' rights by failing to disclose various transactions and the scope of executive compensation and perks. This followed the removal of the chief executive, Robert Buckley, amid allegations of personal misuse of company funds by certain top executives and their families at a time when Allegheny was losing money.

O'Reilly says the affair showed there are limits to the power of outside directors "which are limits of time and information." But he robustly defends the role of the Allegheny directors and does not see the episode as a symptom of a weak or corrupt system.

"Allegheny is an example where the outside directors became uneasy with the direction the company was taking, dismissed the chief executive officer, initiated a rapid programme of asset disposal which ended happily for shareholders by the company being bought by First Boston for $1.2bn."

Talk of scandals inevitably leads to the subject of Guinness. In Ireland, there lingers a feeling that the company still rightfully belongs in its original home, despite its UK registration and long-past expansion far beyond the banks of the Liffey. So, in its present difficulties, there are those who have looked during the recent scandal to a figure like O'Reilly to bring it back to its roots.

He is not uninterested. But first, he has something to say about the Guinness scandal. He believes it did a disservice to "95 or 99 per cent of the people who operate in the City of London and who are competent, highly honourable professionals."

However, it pointed up the problem of not having statutory regulations. "In the United States it is fair to say that we as businessmen fear the regulators in a way that is not possible under self-regulation."

O'Reilly admits to keeping a close eye on the fate of Guinness with a view to becoming a bidder, though not a hostile one.

Back home in Ireland, O'Reilly takes a gloomy view of the economic doldrums the country has got into. The scale of the national debt is "mind-boggling" and makes the nation fearfully vulnerable to interest rate and currency trends.

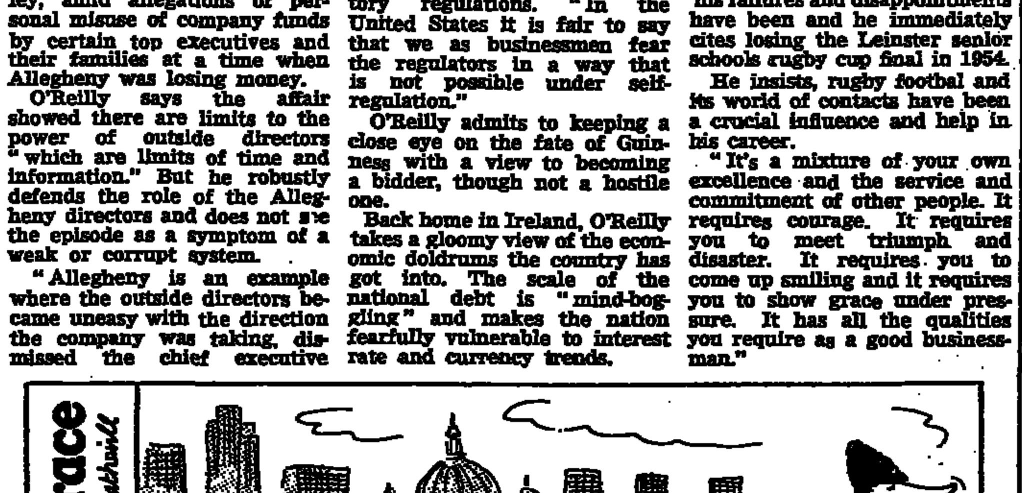
He is critical of investment policy and—naturally—the lack of effective marketing of Irish products. Kerrygold butter was a benchmark not emulated. "We have an investment policy here dictated by a bricks and mortar mentality where in fact what we need are marques like Waterford Glass, Baileys Irish Cream and Guinness and so on. We've got to do something that is magical and not just attract something which next week can be attracted to Taiwan or Singapore."

O'Reily's rise to the corporate heights has made him the subject of everything from near awe to old-fashioned Irish begrudgery, that singular brand of cynicism that smells a rat whenever success appears.

People wonder at the unfairnes of it all. Look at him, they say. Rich, confident, witty, a great and famous sportsman. And he's six foot two, blonde and handsome. Ask him what his failures and disappointments have been and he immediately cites losing the Leinster senior schools rugby cup final in 1954.

He insists, rugby footbal and its world of contacts have been a crucial influence and help in his career.

"It's a mixture of your own excellence and the service and commitment of other people. It requires courage. It requires you to meet triumph and disaster. It requires you to come up smiling and it requires you to show grace under pressure. It has all the qualities you require as a good businessman."



Time to curtail libel replays

JUSTINIAN

AFTER NINE weeks of a libel action—thought to be the most expensive in English legal history—a jury last week failed to agree on its verdict. The action, brought by Mr George Bobolas, the proprietor of the mass-circulation Athens daily newspaper, To Ethnos (the Nation), against the Economist, will await Mr Bobolas's decision whether to pursue his costly exercise in order to vindicate his and his paper's reputation.

Stripped of the welter of fascinating evidence supporting and denying allegations that the CIA plotted to assassinate Mrs Indira Gandhi; that the Berlin Wall was built to prevent the West invading East Germany; and that the Soviet Union was invited into and did not invade Afghanistan, the case focused on a confidential newsletter, Foreign Report, published by the Economist in 1982.

The article alleged that To Ethnos had received Soviet subsidies, which was interpreted as meaning that the Greek newspaper was the willing tool of the Soviet Union's propaganda machine. The Economist, which did not set out to prove the Soviet subsidy, nevertheless believes that it is true that To Ethnos is the mouthpiece of Soviet propaganda.

The case revives the hoary argument whether a jury is the appropriate mode of trial for libel actions. When jury trial for civil actions was virtually abolished in 1933, an exception was made for certain defined actions, including libel.

As the law stands today, either party to a libel action has a right to trial by jury, but the parties may agre to trial by judge alone. The only exception to the right is where either party successfully applies to the court for disallowance of jury trial on the grounds that "the trial requires any prolonged examination of documents or accounts or any scientific or local investigation which cannot conveniently be made with a jury."

The Porter Committee on defamation in 1948 considered whether or not this right ought to be retained. The committee's consideration was assisted by the recent unusual experience that, during the 1939-45 war, a jury was, under the emergency rules, practically abolisned in actions for libel

The committee decided, however, that libel actions should continue to be heard by a jury as long as either one or other of the parties so desired.

Twelve years ago, the Faulks committee on defamation, noting a continuing disquiet about jury trial — particularly in relation to the huge amount of damages being awarded — considered in its comprehensive report a number of options. The arguments largely boil down to a single question of preference for either a lay adjudication on matters where the honour, integrity and reputation of either party was being tarnished or destroyed; or the speedier, less costly trial by a professional judge.

The loudest proponent for modification was Sir Frederick Lawton, a Lord Justice of Appeal until his retirement last December. He asserted that the public view that it was presumptuous of judges to think that they could decide complicated and sensitive issues of fact better than jurors was "romantic twaddle."

The Faulks committee agreed. It recommended that the court should have a discretion, depending on the circumstances of each case, to decide whether or not in the interests of justice the trial should be conducted before a jury. It went on to recommend that, where juries were ordered as the mode of trial, their function in awarding damages should be confined to stating whether damages were to be substantial, moderate, nominal or contemptuous, and that the actual amount within the selected category should be fixed by the judge.

There were two dissenters to the recommendation for removal of the right to jury trial. They opposed any change on two grounds — that the citizen was entitled to have his reputation protected at the hands of his fellow citizens, and, second, that the meaning *of words was more a question* of what those words conveyed to the average reasonable reader, rather than a question of law for lawyers.

The law remains in those respects unchanged. If reform is not generally forthcoming, there is one small change that might usefully be made. Just as the parties may agree to forgo trial by jury, so also they can agree to accept a verdict of a simple majority of the 12 jurors.

There have been instances of such agreements. In 1926, there was tried a highly political libel action involving the publication of a book by a senior officers for the deaths of alleging responsibility on the part of General Dyer and his senior officers fo rthe deaths of Indian citizens shot during the Amritsar riot of 1919. The jury could not agree that the parties willingly acceded to the suggestion of accepting a majority verdict. It turned out to be 11 to 1.

If the law persists in conferring a party's right to jury trial, other than exceptionally, is the public not entitled after an aborted trial to demand that there should be no replay? In short, the trial would not be allowed to end in a draw. A verdict of, say, seven jurors to five in favour of one or the other of the parties should suffice to conclude the litigation —subject, of course, to any bold spirit wishing to challenge the verdict on appeal. Only a tie would justify a re-run.

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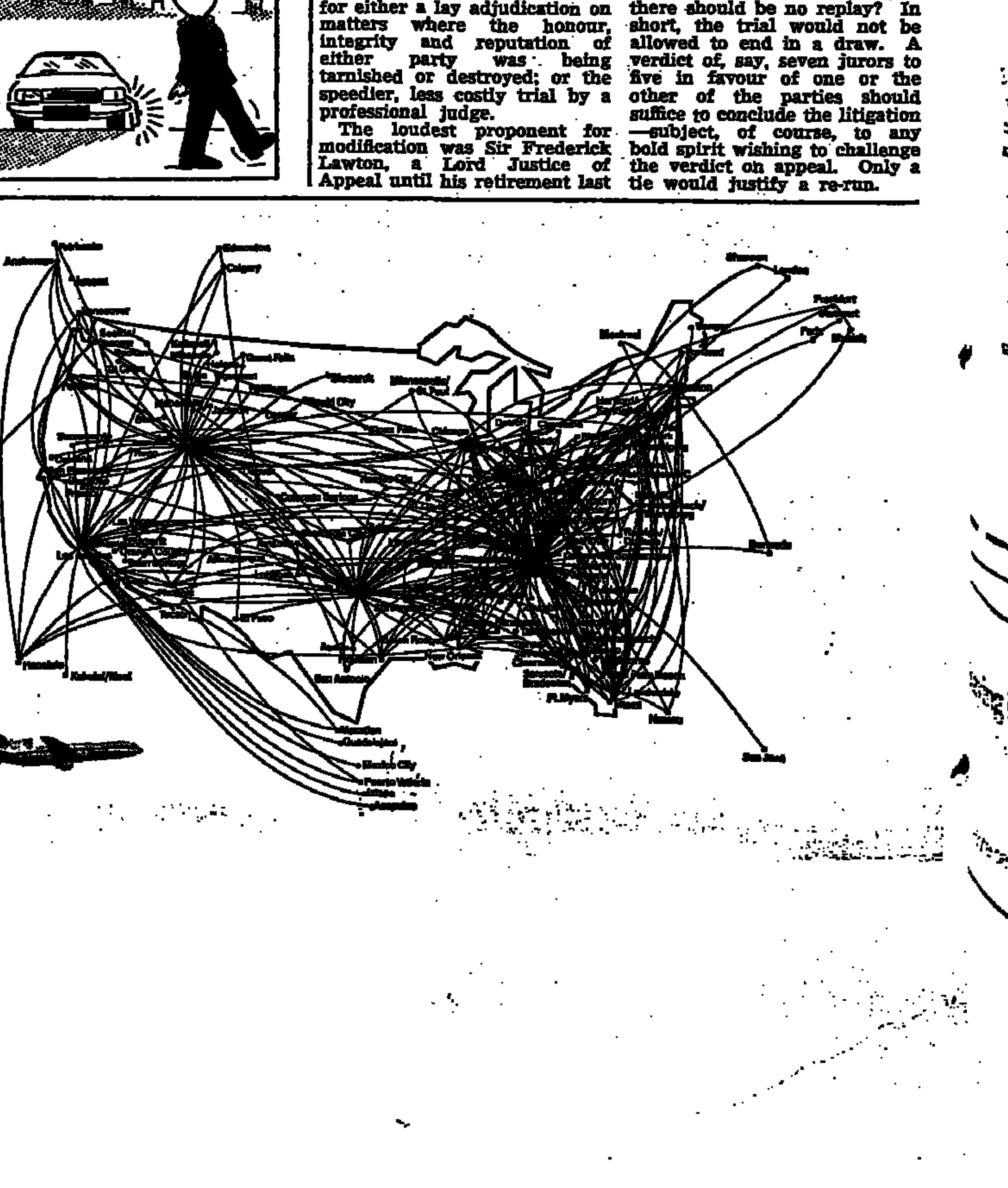

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THE ARTS

Don Giovanni/Coliseum

Rodney Milnes

Reviewers of opera, it is sometimes said, write too much about production and too little about music. Not today. Jonathan Miller's lively staging of Mozart's opera, welcomed by Max Loppert when it was new 15 months ago, has been most efficiently revived by Karen Stone: last Saturday's performance fizzed along with steadily gathering momentum.

The fact that it ran for under three hours including a substantial interval cannot simply be accounted for by the omission of "Il mio tesoro" on, I should have thought, dubious historical grounds. No, the conductor was Roger Norrington, and his style of direction was governed by "contemporary performance practice." Many people maintain in conversation that in the 18th century two-in-a-bar Andante meant "fast." Here the theory was firmly put into practice.

In the first part of the overture, taken at about twice the traditional speed, the scales on flutes and first violins definitely signalled flames licking at Giovanni's ankles, not the stealthy, horror-movie approach of unspecified nastiness. Similarly, the duet at the dinner table (with marvellously contained trombone tone) was less a dress rehearsal for the last judgment than an intensely dramatic confrontation between the protagonist and the corpse of the man he had just murdered—in which respect it fitted well with Dr Miller's ideas.

The Catalogue aria started as a patter song and ended as an easily-flowing folk dance. "La ci darem" was no romantic seduction, but a point number (in which respect it fitted well with the Holdens' translation). Each tempo made you sit up and think (even the traditional ones, in relation to the others); in most cases, after momentary hesitation, if not shock, you thought yes, of course, that's how it *should* go. But did the brisk clip for the trio at the Commendatore's death carry enough weight? Was there enough danger lurking in the first-act quartet, or did the forward motion suggest sufficient danger of a different kind? Was the trio of Masks trivialised—two in a bar it may be, but is it still not Adagio?

Arguable all that may be; what is not is the skill with which the ENO Orchestra buckled down to their unfamiliar task, or the expressiveness with which they played within their fast tempos under Norrington's guidance. While we all know that *Giovanni* looks far ahead into the 19th century, all too often the sound picture evoked in Brahms; here the fleet, energetic movement, the clarity and punch of the playing conjured up Beethoven ever more vividly. The impact of, for one, "In quali eccessi," shorn of Mahlerian swooniness and played with proper classical restraint, was redoubled. In sum, *Giovanni* according to Norrington *worked:* this was the most invigorating and theatrically exciting performance I have heard for years.

And it was very well sung. William Shimell's mercurial Hooray Giovanni, Richard Van Allan's seedy Leporello, Lesley Garrett's hoydenish Zerlina, Mark Richardson's bovine Masetto, and Maldwyn Davies's honeyed Ottavio (his beautiful singing and decoration of "Dalla sua pace" made the cutting of his second aria all the more regrettable) are known quantities, but all were more at ease than on the first night.

Rita Cullis made an exciting house debut as Donna Anna. Her tough but warmly rounded tone expanded gratefully into the house, neither the physical demands nor the intricacy of the writing seemed to hold any terrors for her, and she pointed the text with ideal clarity. With her voice now well and truly "set," she could now sing more or less anything. In Elvira, Jane Eaglen has found a most congenial role: the passage-work was needle-fine, the tone wonderfully even throughout the range, and she skittered through the coloratura in the (fast!) first-act quartet without turning a hair. Dennis Wicks made a welcome return to the house as the Commendatore. A stunning revival—don't miss it.

Atalanta/Bloomsbury

Dominic Gill

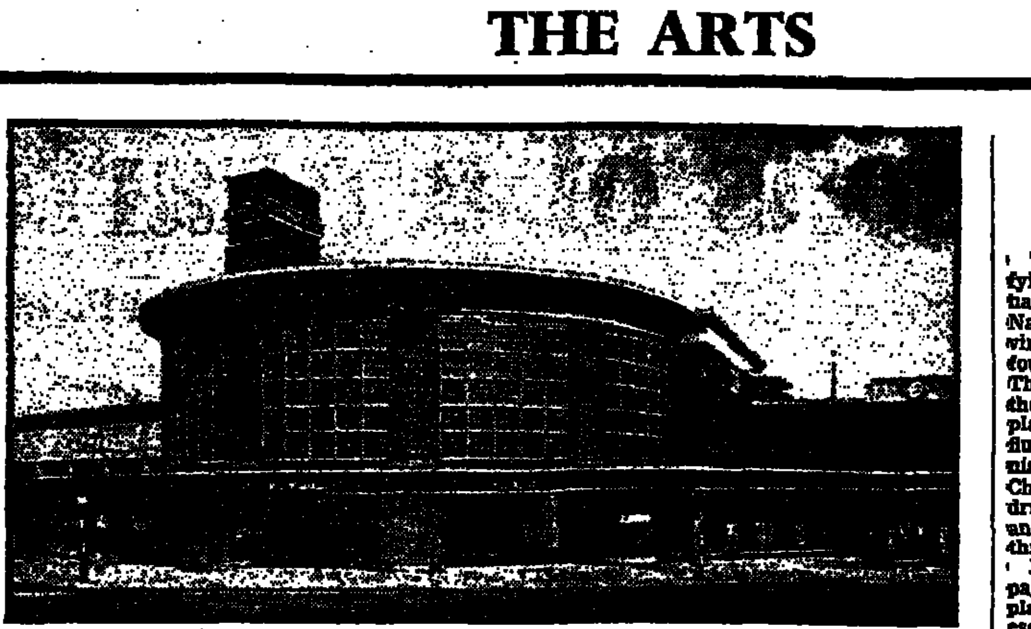
Atalanta is the *Götterdämmerung* of the American composer Robert Ashley's idiosyncratic brand of musical performance-theatre: an "opera" (almost any other genre or title will do) divided into three episodes which together last nearly seven hours. Although every new performance amounts to a new "version," I understand that the British premiere presented by the Camden Festival last week did not differ substantially from the original version devised for Chicago two years ago. The same stage set, populated chiefly by shop-window mannequins, remains unchanged throughout the work: the four live performers take up their positions among the mannequins at the start of the first evening, two standing at the rear of the stage, two seated at the front, from which they never deviate thereafter.

Both the subject-matter, which is indeterminate, and its delivery are dreamlike, static, surreal: a sequence of wry, stoned anecdotes, commentaries and fancies, sometimes spoken, occasionally sung, but for the most part delivered in the halting, fragmented mode of speech, half way between recitative and a kind of sleepy *Sprechgesang* with all the emphases in the wrong places, of someone who has just woken from deep narcosis.

After the first evening, my colleague on The Independent characterised the time (if there is a time) and the place (if there is a place) of *Atalanta* nicely in his review: it is permanently three in the morning, in Ashley's dramatic universe, at some small-town basement club in the middle of nowhere. By the end of the third evening, the time was nearer five in the morning, and the high was beginning to wear distinctly thin.

If *Atalanta* had not been so long, and so pretentious, it might have carried the day with a certain zany charm. But it pretended far too much that it was not: by its very length it pretended to grandeur, when its scope was patently trivial and its theatrical vision no more than myopic; to profundity, when its treatment of every theme was demonstrably superficial and scatty; to sharpness, when nearly every tool it used was blunt.

Performance groups like our own Vocem, or even non-musical groups like Anthony Howell's Theatre of Mistakes, achieve more in a tenth of the time; Laurie Anderson says more articulately in five minutes what Ashley tries to say in two hours, and with a keener cutting edge. If there was any best, it was the music. "Blue" Gene Tyranny's solo keyboards are always good value; Paul Schorr's live mixing and orchestral electronics were professional. Whenever their work came into the foreground, one could shake off the narcosis and sit up, for a few brief minutes, wide awake.



Chiswick Park is one of the best Tube stations of the 1930s: luckily it is listed and so may escape the depredations of London Transport's designers and "improvers"

Architecture/Colin Amery

Tube design has hit the buffers

Anyone who travels even a few yards on the London Underground system will have noticed that it is in a constant state of what has come to be called refurbishment. Nobody would deny that the whole system has become grubby and neglected the fundamental design of the stations and trains was of a good, indeed a high standard.

In a decidedly un-English way the design ran through everything: the buses, the bus stops and even the tickets bore the clear and distinctive marks of well-thought-out design. In the suburbs the Tube stations of the 1930s stood out like beacons of rationality amidst the world of the bogus Tudor and feeble neo-Georgian.

Anyone who cares for high design standards and the appearance of the public realm has a duty to be concerned about what is happening to the capital's underground railway. It is not for nothing that two leading societies, the Victorian Society and the Thirties Society, has just published a very timely report (*End of the Line? The Future of London Underground's Past*, available from the Victorian Society, £8.50.).

These bodies are seriously concerned at what is happening throughout the system. They feel, and I am sure that they are right, that there has been a total collapse of design standards.

It is one of the great tragedies of the Thatcher years that the physical appearance of the one element of the capital that once won international acclaim, has declined to a level of muddle and incoherent mediocrity that is distressing to behold.

The report, edited by the artist and campaigner Alan Powers, gives a sound account of the history of the Tube and looks at its artistic and design legacy. As the oldest underground system in the world London's shows a rich and varied face of station design. The early 20th century saw the gradual influence of *l'art nouveau* and the aesthetic feel of that curly *fin-de-siècle* moment in British art. While not as fine as the Hector Guimard designed Paris Métro, London's early stations had enormous elegance and charm.

Before the establishment of London Transport Leslie Green (1875-1908) — worked as a young architect for five years for the Underground Electric Railways Company. His stations are the distinctive Classical structures with the large arched windows usually faced in striking red tiles. His approach, to be followed by Harry Ford, was essentially simple and practical, using good tiles (that were easy to clean) and strong colours.

There is no doubt that the greatest influence on the system was Frank Pick—one of the very finest patrons of the arts that 20th century Britain has seen. He started by working for the private company and ended up as the chief executive of the London Transport Passenger Transport Board, in 1940. His achievement was staggering and there can be no doubt that he would be horrified by what is going on today in an organisation that scarcely seems able to control the efficient installation of a new lift or escalator, and is apparently without any sense of direction when it comes to design.

Frank Pick, (1878-1941) gave London an underground that was designed to the highest possible visual standards. He employed Edward Johnston, the distinguished calligrapher to design the lettering for the entire system. The distinctive LT sign and the immaculate sans-serif capital letters are the clearest and best of 20th century typefaces. Needless to say the present masters of London Transport are already tinkering with this perfect typography. Pick's friend Charles Holden happened to be one of the best architects of this century. He worked on some 50 stations and evolved a distinctive modern classicism in his own style.

Take any ride on the Piccadilly line and his work is still to be seen although it is under severe threat. It was lucky that one of his masterpieces, the oval concourse of Piccadilly Circus, was listed, just in time to be restored rather than be slicked up in the now fashionable London Transport way.

From Morden (1926) to Arnos Grove (1932) you can see Holden's work develop and refine. He standardised but did not produce monotony. Frank Pick also commissioned artists as good as Eric Gill, Henry Moore, Jacob Epstein on his headquarters building and names as famous as McKnight Kauffer and Fred Taylor to design brilliant posters. But Pick's greatest influence was on the clear way that he maintained design control throughout the system.

Hammersmith, Holborn and St. Paul's are just three recent examples of pointless revamping that has destroyed the best of what was there before. Look at the trivial trellises at Sloane Square and the meretricious Sherlock Holmes style tiles at Baker Street. It was a brave move to employ Eduardo Paolozzi at Tottenham Court Road but no one can call his work there very successful. The strange use of light coloured floors which are rarely cleaned undermines any improvement.

It was Enoch Powell who described the London Underground as "the finest anthropological museum in the world." This report makes it clear that it could, if cared for properly, be one of the wonders of the architectural and design world too. The saddest thing today of any ride on the Tube is that you can be sure that most of the improvements will be of a lesser quality than the station designs that they replace.

Sir Nikolaus Pevsner wrote of London Transport that it "was the most efficaceous centre of visual education in England." He was right. The heirs of Frank Pick would do well to study the proposals made in this excellent report. They are not a conservationist squeal but an intelligent, sensitive and reasonable set of proposals for keeping and enhancing the best of the recent past. Much of what is recommended will not cost as much as the dreadful tarting-up that is going on today.

Londoners are, in fact, proud of their Tube. They do not like what is happening to it. It is sad that a once pioneering organisation with the highest standards should have fallen for image-making that looks cheap now and will look worse in a few years' time. Why apply such tawdry make-up when there are such good bones underneath?

Arts news in brief . . . .

The 1987 Glyndebourne Festival season has been extended by ten days and will run from May 24 to August 22 with a total of 73 performances of seven operas (including a double bill).

La traviata, sponsored by BAT Industries, opens the festival, conducted by Bernard Haitink with Marie McLaughlin in the title role.

Ravel's *L'heure espagnole* and *L'enfant et les sortilèges* is the other new production by Frank Corsaro, designed by Maurice Sendak and sponsored by IBM.

The revivals are Peter Hall's *Carmen* with the title role shared between Maria Ewing and Mariana Cioromila.

Peter Hall's production of *Cosi fan tutte*, with Isobel Buchanan singing Dorabella, and John Cox's production of Strauss's *Capriccio*, with Felicity Lott as the Countess are also revived.

★

Brian Johnston is leaving BBC Radio 4's *Down Your Way* programme after 15 years and 733 programmes. He is "declaring" deliberately on 733, the exact number of programmes presented by his predecessor, Franklin Engelmann, whose name was synonymous with *Down Your Way* until his death in 1972.

Antony and Cleopatra/Olivier

Michael Coveney

This is easily the most satisfying *Antony and Cleopatra* I have seen. Peter Hall's National Theatre revival is virtually uncut and plays for four hours with a long interval. The use of the Olivier amphitheatre is masterful, the great play laid out with cinematic fluidity against a curved burnished wall designed by Alison Chitty, broken up with thrilling drum rolls of advancing armies and descents on the stage through the stalls.

But this is no mere florid pageant. The range of this play's scale always seems to escape production; as an empire falls in the Mediterranean theatres of war, so a love affair dwindles in its shadow. The matching of Judi Dench with Anthony Hopkins proves a triumphant solution to the problem of outlining a failing middle-aged affair, charted with great detail and intimacy, still capable of encompassing the ruin of nations.

Carnality is not a familiar weapon in Judi Dench's armoury, notwithstanding her luscious Sally Bowles of 20 years ago. But her Cleopatra has gone through the fire of passion and is scarred for life. Women have a rough time of it in the solders' world, a theme richly mined in this production from the callous throwaways of Michael Bryant's desiccated Enobarbus to the curt casualness with which Antony receives news of Fulvia's death. Dench replaces kittenish playfulness with a desperate, tenacious hold on her man, and she is immensely moving as we watch her losing that grip.

Hopkins, oak-like and massive—his head appears to be twice as big as anyone else's—is a somnambulant warrior with a delayed cackling laughter and a strange ridiculousness in his early tumbles in Egypt. He reserves a distance still from her, raising his hand at the end to define old Nile as "a boggler ever."

The panoply of war is not drenched in blood and thunder, but coolly presented with a great variety of staging manoeuvres and a great patience with nooks and crannies one had hardly noticed before, for instance the scene of Ventidius's revenge of Crassus pronounced over the dead Pacorus.

The death of Antony is that of a caged beast, Hopkins yielding life with a reluctant shrug and a panting relief as he is winched in a net to the monument. The design is a little ungainly here, but the acting sees us through. Dench's persistence gives way to a savage resentment on "Withered is the garland of the war" and the fifth act becomes a riveting emotional journey from tragic self-pity to the ecstatic embrace of death in marmoreal splendour. I have never seen a Cleopatra take so much joy in the worm, and she is carried out feet first in the show's final procession of all.

Tim Pigott-Smith is a livid, leering Octavius transfigured in the chill blue of Rome after the luxuriant Egyptian browns and oranges, though Stephen Wentworth's lighting is over-endowed with impertinent shadows. This is a marvellous performance and it sets the standard for the rest of a very strong and well-knit cast: Mr Bryant's Enobarbus gives his great description legs akimbo in a chair, his macho misogyny overcome with special remembrance; John Bluthal is a jovial Lepidus and the rustic fellow with the worms; Salley Dexter is a suppressed Octavia, white-faced with fury; David Schofield a lethally impetuous Pompey.

The Magic Flute/Congress, Eastbourne

Ronald Crichton

Kent Opera's *Magic Flute* drew a large audience to the Congress Theatre at Eastbourne last Tuesday at the start of the second lap of the spring tour. What is more, the public was clearly happy and, by the standards of this mild-mannered town, warmly enthusiastic. Yet for those who care about opera it was a sad occasion. Norman Platt, Kent Opera's artistic director, came before the curtain to plead urgently for money and support. For this admirable institution and (as if that were any consolation) others like it, the financial situation is threatening.

There was another, distinct but not entirely unrelated reason for sadness. Opera companies of more than midget size venturing to Eastbourne have to go to the Congress—large, cheap-looking, wide, with sound at once blank and blaring, one of a beast of a building run up in the shadow of the Festival of Britain, in those merry days when we believed we were new Elizabethans. Penny-pinching finance and bad buildings are two aspects of deeply entrenched, detestable Philistinism. First impressions of this production by Robert Knights, designed by Roger Butlin and conducted by Ivan Fischer are coloured by the lack of rapport auditorium and acoustics put between performers and public.

Two individual performances overcame the disadvantages—the Speaker of the greatly experienced Thomas Hemsley and the Struwwelpeter Papageno of Andrew Shore, another good communicator, whose Papageno was not merely a quaint little bird-man but a rounded character with a touch of North country asperity. Ulrik Cold's Sarastro, tall but lightweight, interesting in his solos (the potentially wearisome second verse of "In diesen heilgen Hallen" was more than usually convincing) barely registered in his shohrt phrases, Sarastros in frock coats lose much of their authority.

Patricia's Rozario's Pamina had lovely phrasing, fascinating colours in the tone, some difficulty towards the top and mixed success with her words. The Tamino of Neill Archer was manly but inclined to the genteel—shades of Evensong will persist in our operatic life long after cathedral choirs have withered away—that is, if operatic life hasn't withered away first. To be fair, Mr Archer reacted promptly to Mr Hemsley's example in the scene with the Speaker. The Queen of the Night was Eileen Hulse, exquisite in the shaping and delivery of her coloratura but only hinting at the hatred and venom behind them. Miss Hulse's speaking voice needs strengthening.

The setting of cut-out clouds and suspended blocks of stone is workable and suitably mysterious, but in a large theatre the long second act needs more variety of form and colour. At the end, Sarastro referred approvingly to the blazing sun, but we were not allowed to share his vision. The production neither poses nor solves problems. It is smooth, clear and sensible. Most of the groupings are good. In spite of Masonic emblems and priestly dignity the deeper intimations of the work were largely missing. They were missing too from the brisk conducting of Ivan Fischer, bright as a toybox but not relaxed or mellow.

The Tourist Guide/Almeida

Michael Coveney

Glenda Jackson's West End version of Botho Strauss's *Gross und Klein* four years ago was the British theatre's first and so far only attempt to accommodate one of West Germany's leading playwrights. The attempt was unjustly reviled by those who had seen Peter Stein's original production, but we all have another chance to meet this extraordinary poet of urban alienation and private obsession thanks to the Almeida in Islington.

Die Fremdenführerin, translated in the above title by Tinch Minter and Anthony Vivis, is Strauss's latest play and currently in production all over Germany. Set in Olympia of today, it tells the Pan legend of the pursuit of an errant nymph, Echo, in the affair of a disenchanted teacher, Martin, who, returning to Greece in search of intellectual serenity, falls in love with a tourist guide, Kristine, and takes her into the mountains.

Their relationship is clouded by Kristine's devotion to a terminally alcoholic archaeologist, Vassili, who flops mutely in and out of several early scenes, a Dionysiac disaster, before dying offstage in his sleep. The writing is intense and demanding, pummelling a lot of emotional development and fall-out into a two-hour playing time.

Whereas the Jackson *Great and Small* cut corners, on the whole successfully, to make Strauss comprehensible in English terms, Pierre Audi's production is severely committed to Teutonic heaviness and angst. The playing of Paul Freeman and Tilda Swinton is bravely uncompromising, aromatic in its sexual intensity. They first stalk each other under a blazing sun and a monumental white portal arch designed on an angle by Hildegard Bechtler. An intriguing arrangement of steel tunnels and frames contains a transparent triptych for Martin's apartment and a fine array of rough-hewn exterior *gouaches* — representing stone, sky and cottage — that are compelling artefacts in themselves.

The effect is of exposed nerves, strangeness, impending catastrophe, a mood taken up on Oliver Knussen's soundtrack of tremulous strings, inquisitive pizzicati and overlapping recorded dialogue. Half-way through, the hilarious appearance of two lady tourists wandering around the ruins as Kristine, Vassili new dead, craves sex and warmth of her confused devotee, is the play's one flash of unstrained normality. Everything else about it is unsettling.

Mr Freeman is an impassive and generous foil to a remarkable performance of neurasthenic extravagance by Ms Swinton, a crane-like ginger girl whose face seems to be indelibly stained and sodden with tears of delight, fear and disappointment.

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Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Music

April 10–16

LONDON

Philharmonia Orchestra conducted by Esa-Pekka Salonen with Cho-Liang Lin, violin. Lutoslawski, Bruch and Sibelius. Royal Festival Hall (Mon). (928 3191).

Royal Philharmonic Orchestra conducted by Paavo Berglund with Horacio Gutierrez, piano. Elgar, Rachmaninov and Beethoven. Royal Festival Hall (Tue).

London Mozart Players conducted by Jane Glover with John Lill, piano. Mendelssohn, Beethoven, Prokofiev and Mozart. Barbican Hall (Tue). (638 8891).

BBC Symphony Orchestra conducted by Dennis Russel Davies with Alfred Brendel, piano. Reger, Schoenberg and Ravel. Royal Festival Hall (Wed).

Royal Philharmonic Orchestra conducted by Paavo Berglund with Boris Belkin, violin. Strauss, Tchaikovsky and Sibelius. Royal Festival Hall (Thur).

London Symphony Orchestra conducted by Gerard Schwarz with Carol Rosenberger, piano and Della Jones, mezzo-soprano. Chabrier, Falla and Ravel. Barbican Hall (Thur).

PARIS

Mirella Freni, soprano, Paolo Molinari, piano (Mon). Théâtre de l'Athénée (4742 6727).

Maria Joao Pires, piano, Jerome Grandjon, piano. Nouvel Orchestre Philharmonique de Radio France conducted by Olivier Cuendet: Bach, Mozart (Mon 6.30 pm). TMP-Chatelet (4233 4444).

Ensemble Orchestral de Paris' soloists: Debussy, Ravel, Messiaen (Tue). Auditorium des Halles, 5 Porte Saint-Eustache (4562 8757).

Herve Lamy and Jean Belliard, tenors: Couperin's Lecon de Tenebres (Wed). Saint-Roch Church (4261 9326).

Groupe Vocal de France conducted by Helmut Franz: Michel Zbar, Emmanuel Nunes (Wed). Radio France, Studio 106 (4524 1516).

Nouvel Orchestre Philharmonique, Radio France choir and Maitrise conducted by Gian-Franco Mazzini: Ponchielli's La Gioconda (Thur). Salle Pleyel (4561 0630).

TOKYO

Tokyo Symphony Orchestra, conducted by Peter Vronsky; piano, Bruno Leonard Gelber. Beethoven, Dobrowen. Tokyo Bunka Kaikan (Mon). (270 6191).

NHK Symphony Orchestra, conductor: Uwe Mund, piano, Pascal Devoyon. NHK Hall (Wed, Thur). (465 1780).

Suntory Hall, Akasaka, Placido Domingo with Tokyo Symphony Orchestra conducted by Eugene Kohn. Popular opera arias of Donizetti, Verdi, Puccini (Mon, Wed); Hamburg Radio Orchestra, conducted by Takashi Asahina. Bruckner (Thur). (505 1010).

Traditional Japanese music. Ensemble of koto, shamisen and shakuhachi by Kono Kameyama. Works included Nightingales at the Palace and Ocean Currents. ABC Hall, Shiba Park (Tue).

Tein Kai Koto Concert. Works for shamisen and shakuhachi also included. Three Themes of Spring. Tocatta for Japanese Instruments etc. (Wed). (Asahi Seimei Hall, Shinjuku). (Wed).

VIENNA

Mary Burgett, Pamela Mildenhall, lieder, Jean Brom, piano. Wagner, Nurgatt, Schumann, Bösendorfer Saal (65 66 51). (Wed).

Francois Killian, piano. Schumann, Schubert, Ravel, Chopin. Palais Palffy (52 56 81). (Thur).

NEW YORK

Carnegie Hall: Stern/Laredo/Lin, Tree/Ma/Haimovitz. All-Brahms sextets (Thur). (247 7800).

Juilliard Concerts (IBM Gallery): Juilliard Singers Vocal Quartet. Mixed programme (Wed, 12.30). 56th & Madison.

Merkin Hall (Goodman House): Indiana School of Music Baroque Orchestra. Stanley Ritchie director, Eva Legene recorder, Paul Elliott tenor. Sammartini, Purcell, J.S. Bach, Handel (Wed); Berenice Lipson-Gruzen piano recital. Debussy, Ravel, Chopin (Thur). 67th w. of Broadway (362 8719).

New York Philharmonic (Avery Fisher Hall): Leonard Bernstein conducting. All-Ives programme (Tue); Leonard Bernstein conducting, Barbara-Hendricks soprano. Christa Ludwig mezzo-soprano, Westminster Choir directed by Joseph Flummerfelt. Mahler (Thur). Lincoln Center (874 2424).

WASHINGTON

National Symphony (Concert Hall): Pinchas Zukerman conducting and violin. Schubert, Prokofiev, Beethoven (Thur). Kennedy Center (254 3776).

CHICAGO

Chicago Symphony (Orchestra Hall): Leonard Slatkin conducting. Haydn, Donald Erb, Vaughan Williams (Thur). (435 8111).

The Mirador Ensemble (Orchestra Hall): Bruch, Stravinsky, Karg-Elert, Brahms (Mon, 5.45).

Saleroom/Antony Thorncroft

Cricket, lovely cricket

The sale of the week (or the millenium if you are a cricket fanatic) starts at 10.30 this morning in the Banqueting Rooms at Lords. To celebrate its bi-centenary the MCC is having a clear out, and over 1,000 items from its "second eleven" collection come under the hammer of Christie's South Kensington. It should raise well over £100,000.

This may be the attic of cricket history but there are enough good things to stimulate the growing band of cricketania buyers. You might secure an early MCC pill box cap in red and gold for around £100 or the Australian team belt of 1884 for £400. (Estimates are likely to be unreliable guides to acutal prices).

Much more expensive are the commemorative handkerchiefs. These were first produced in the mid 17th century and there are two in the auction concerned with cricket and produced in the 18th century. One contains the laws of the game, with illustrations of active practitioners like the Prince of Wales, and is dated around 1785, and estimated at up to £5,000.

The other cites the laws as they stood in 1744 and carries a top forecast of £4,000. The 13 19th century cricketing hankerchiefs are likely to be cheaper.

The oldest bat in the sale dates from the mid-17th century and is curved to suit a left hander. It carries its makers name, Thos Edmonds, and should make at least £1,000. Three rare 19th century balls will be cheaper. There are many bats signed by the great and since cricket thrives on quaintness, there will surely be a buyer for the ball with which E. R. Wilson took 10 for 81 when playing for the MMC in that needle match against North Argentina in March 1912, playing away.

There are photographs galore, including the first class county captains of 1900, the Australian team of 1902, and W. G. Grace at 50. There are ceramics and ephemera, paintings and scorecards, books and "Plum" Warner's shorts. The catalogue alone will keep the fanatic quiet for hours.

Sotheby's now sells sporting guns in its Sussex saleroom and on Wednesday offers a Purdey "live pigeon" competition gun. The sport of live pigeon shooting, which began in the early 19th century, was the forerunner of clay pigeon shooting. It was a competitive sport, with much gambling and special competition grounds. London pigeons are believed to descend from the "ones that got away." The gun is late, dating from 1935, and carries a top estimate of £9,000.

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Monday April 13 1987

The perils of Japan-bashing

A MEMBER of the Nakasone Cabinet complained last week that Japan had been forced to sit in the defendant's chair during the Washington meeting of Finance Ministers and central bankers. Meanwhile, the Americans are about to retaliate against Japan's alleged failure to abide by last year's semiconductor trade agreement. The UK is threatening to restrict Japanese access to the London financial market, if British firms are not promptly allowed to join the Tokyo Stock Exchange. No doubt other countries will join in the fun. But, before Japan-bashing gets out of control, it is worth asking whether the attacks are being directed at the right targets.

It is important to distinguish between Japan's trade surplus as a whole and the existence (or otherwise) of protective barriers within specific industries. Since the late 1960s, Japan has tended to generate a large current account surplus. It has relied too much on exports for its growth. This tendency has been aggravated in the last few years by events in the US—the budget deficit, the rise in the dollar, and the growing trade deficit, which has been partly financed by capital inflows from Japan.

Japan's over-dependence on exports and the US deficits reflect the choice of macro-economic policies in the two countries. It is these policies that have to be changed, if the imbalances are to be corrected. In the US the budget deficit is crucial. In Japan, the shift to domestically generated growth requires changes in fiscal policy and in other areas including land use, housing finance, and deregulation.

Japan's export success has provoked a strong reaction in the West. This often takes the form of bilateral deals, imposing curbs on particular exports or gaining access in Japan for products or services in which the Western country regards itself as competitive. These sectoral arrangements do little in themselves to affect the trade surplus. Any cuts in Japanese exports which may result will be offset by higher exports of other products.

High costs

Moreover, to the extent that some parts of the Japanese economy are shielded from foreign competition, this imposes a cost. Japan is less competitive than it otherwise would be. The country would benefit if imports of farm products were liberalised. Certainly, there would be opportunities for foreign suppliers, but costs in the Japanese economy as a whole would be lower.

There are other areas—especially services, such as transport, distribution, telecommunications and finance—where costs are high compared to the largely unprotected manufacturing sector. Thus, the entry of Cable and Wireless is likely to stimulate competition in telecommunications and improve the quality of service. As in agriculture, special interest groups would suffer but the economy would be more competitive.

Closed sectors

Western countries have a legitimate interest in the reorientation of the Japanese economy towards domestic growth, and in the removal of specific barriers which impede the entry of foreigners. They are justified in exerting pressure to achieve these changes. But they need to think carefully about tactics and objectives.

Non-tariff barriers are confined to certain branches of the Japanese economy and even there they are not markedly worse than those of other countries. (How much access does Cable and Wireless have in Germany and France?) Thus, it is quite wrong for British businessmen to link the UK's bilateral deficit with Japan to Japanese protectionism, or to assume that the way to reduce the deficit is by prising open the closed sectors through the kind of retaliation threatened in the Cable and Wireless and Stock Exchange cases. The closed sectors should be opened up, but reliance on threats to extract concessions is dangerous. Quite apart from the probability that the UK will lose more than it gains from retaliation, these tactics encourage the entirely false belief that Britain's inability to compete in other sectors can be dealt with in the same way.

Because of the general mood of frustration over Japan's surplus, incidents like the Cable and Wireless affair acquire a symbolic importance that goes beyond access to the telecommunications market. Japan needs to respond promptly on both macro-economic and sectoral levels. But the protesters in the West need to remember that correcting imbalances in the world economy is not just a matter of bashing Japan. The Western countries have serious distortions in their own economies, including extensive non-tariff barriers. The way forward is not by bilateralism and reciprocity, but by countries working together to develop complementary economic policies and a multilateral approach to trade problems.

UK dilemmas on space research

IN January 1985, Mr Geoffrey Pattie, the UK minister for industry and information technology, pulled off something of a coup for Britain. He persuaded the country's European partners that it was ready, after a decade on the sidelines to play a full role in Europe's space programme.

This leap forward, at least in public relations, came with a price. Britain was faced with doubling its annual spending on space activtities, to about £200m by 1990.

More than two years on, Mr Pattie has been unable to translate words into action. Since last summer, the Governmen has been sitting on a detailed plan, drawn up by civil servants, for expanding Britain's space activities. The lack of a decision, due four months ago, is because ministers cannot agree on which part of the research and development (R and D) budget to cut to make room for the extra spending.

The delays are more than a bureaucratic nuisance. They are harming Britain's chances of gaining a significant share of the programmes taking shape under the auspices of the 13-nation European Space Agency. These projects, encompassing work in areas such as launchers, materials, telecommunications and surveying, are not only exciting but have a high potential of producing work of great value to indsutry.

Even more to the point, in many of these areas British companies and research institutes have built up over the past 20 years impressive skills. They have been helped in this work by government funds which have been by no means lavish compared to the cash available for space research in countries such as the US, France and West Germany. It would be extremely foolhardy to risk seeing these skills go to waste, for want of an adequate level of funding, just at the point when it appears that space projects are starting to have wide commercial application.

The difficulties in deciding Britain's space policy are real enough. But they point to a still broader problem in the Government's approach to research. Space technology adds up to a tiny area of activity, which accounts for 2 per cent of the UK Government's total R and D budget.

Even though the extra cash required for space is a drop in the ocean compared with the sums spent elsewhere, Whitehall lacks a mechanism for deciding on the priority to attach to different areas of research.

Many people find it absurd that a medium-sized nation such as Britain should be spending more than half of its state R and D funds (totalling nearly 30 per cent of the country's entire research budget) on military science and technology. Yet there is little opportunity, in the current Whitehall power structure, to discuss the topic, let alone drive through changes that would see some of this cash transferred to more productive, commercially relevant areas of research.

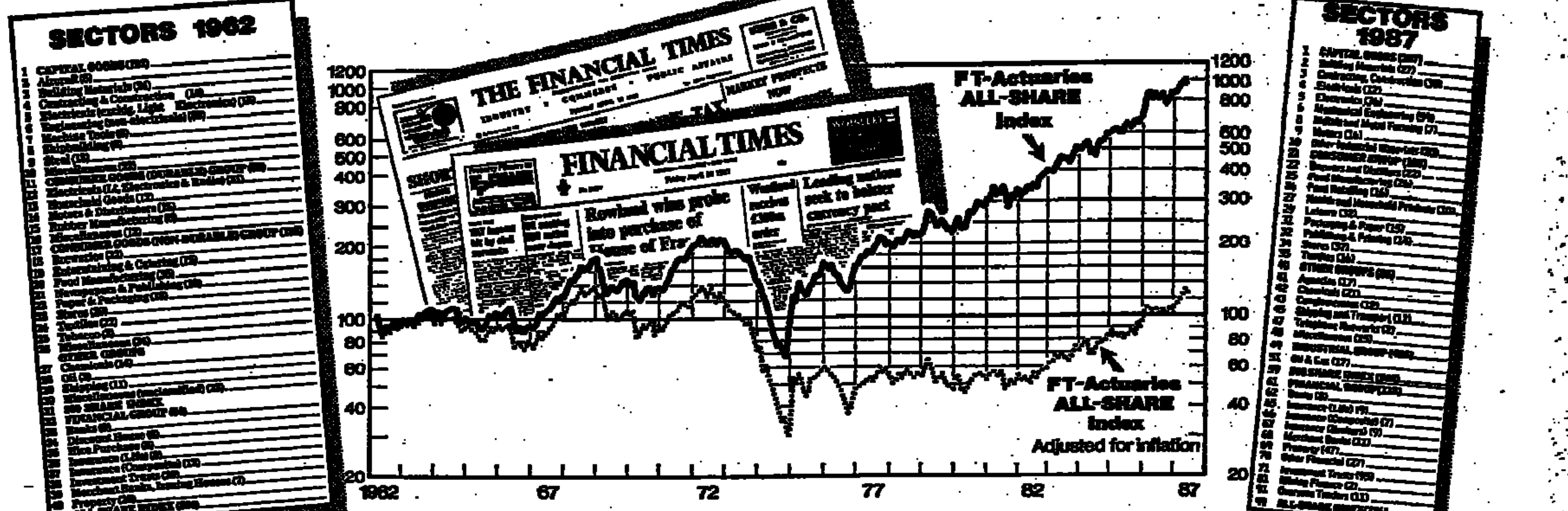
A new decision - making structure would also make it easier for Britain to formulate its approach to European-wide research initiatives in general. The current reluctance by the UK to agree to proposals for an increased European Community R and D programme would be more explicable had the arguments for and against the proposals been more widely rehearsed in Whitehall as a whole.

In a welcome move, the Cabinet Office is discussing with industry a new forum for R and D, which companies would help to pay for. This would identify those areas of research likely to lead to commercial rewards. This forum, which may be called the Centre for Exploitation of Science and Technology, will, however, be next to useless unless the Government pays attention as to how Whitehall can use the information from the group in the cause of boosting specific areas of research at the expense of others.

THE FT-ACTUARIES INDICES

Lessons of a quarter-century

By Barry Riley, Financial Editor



TWENTY-FIVE years ago last Friday Selwyn Lloyd abolished the much-hated Schedule A income tax on owner-occupation in his Budget, the Geneva East-West disarmament talks dragged on inconclusively, and a major new equity market index was founded.

The FT-Actuaries series of market indices, of which the All-Share Index is the flagship, is celebrating a quarter of a century of publication. The particular date for basing the new indices was chosen because of another of Chancellor Lloyd's 1962 Budget measures, the introduction of capital gains tax. And capital gains there have been, because from its original base of 100 the All-Share has recently topped 1,000 (although it stood at just below that level on Friday night).

Now the action has moved to the global stage. This year the FT has launched the world series of equity indices, using the same concepts to measure the performance of markets on an international scale.

Besides its original partners, the Institute and Faculty of Actuaries (in England and Scotland respectively) the FT has also teamed up with Goldman Sachs and Wood Mackenzie.

But whereas the world indices are for the future, the FT-Actuaries UK Indices have already accumulated the long history necessary for them to fulfil their objective of providing a yardstick for the measurement of portfolio performance and a tool for analysing trends within the equity market.

In this, the indices were always intended to supplement rather than replace the longer-established (in 1935) FT Ordinary (or 30-Share) Index.

The 30-Share Index is easily calculated (nowadays minute-by-minute) and is a sensitive indicator of the short-term moods of the market. But its unweighted geometrical construction makes it an inappropriate measure of long-term performance. For that purpose, the weighted arithmetical structure of the FT-Actuaries series is essential.

The point can be illustrated simply enough. On the base date of the FT-Actuaries indices the 30-Share Index stood at 306.6. Last Friday it closed at 1,523.8, and so has multiplied just five times compared with the All-Share's near tenfold appreciation.

Superficially the All-Share's rise looks spectacular. So does the increase in value of the stocks it represents. In April 1962 the 594 companies whose shares were included were capitalised at £18.3bn.

For comparison, the latest quarterly valuation at the end of last month revealed a total capitalisation of £366bn for 725 companies.

Of course, the rapid inflation of the past 25 years must be stripped out before the index figures can make any genuine sense. In purchasing power the pound is worth not much more than 13 per cent of its 1962 level.

Viewed in real terms the All-Share Index enjoyed its best years early on. Starting from a real base of 100 in 1962 it reached around 144 by May, 1972. That has proved an unrepeatable pinnacle. For comparison the All-Share's recent nominal peak of 1026.58, touched on March 24, represented about 141 in real terms.

So over 25 years the annualised real capital growth has been a modest 1.4 per cent. But that is not the whole story because in addition the dividend yield has averaged some 5 per cent.

Therefore the total real return on equities has been perhaps 6½ per cent a year, enough to keep a pension fund actuary contented (though a taxpaying private investor may be less happy).

Within the overall performance, of course, are concealed some very great divergences by individual sectors. Some of these are only to be expected, such as the lack-lustre showing of engineering and motors, reflecting the decline of these traditional industries.

But who would have expected that the very best sector performance would have been produced by Publishing and Printing (originally Newspapers and Publishing) which has recently topped 3,500? For a sector once notorious for bad management this is quite a coup.

Another odd result is that the Merchant Banks sector supposedly representing one of the UK's most internationally competitive industries, is only one place away from receiving the booby prize, with a current index number of around 365.

A full league table of leaders and laggards among the sectors over 25 years is not practicable. There have been many sectoral changes over the years, because the series of indices was designed from the beginning to be flexible.

In the event, some 21 of the original 36 individual sectors have survived in a reasonably recognisable form. Industrial decline or nationalisation have taken their toll of the likes of Machine Tools, Rubber Manufacturing and Shipbuilding, while reorganisation in the banking industry has resulted in the removal of Discount Houses and Hire Purchase as separate sectors.

As for the prominent newcomers, Agencies represents some of the new growth areas of the service economy. Telephone Networks is a product of privatisation and Conglomerates was devised as a home for some of the powerful financially based combines which have become prominent during the past 20 years.

The overall balance of the major groups has not altered dramatically, however. As a proportion of total capitalisation the capital goods group has fallen only from 17.4 to 16.9 per cent over 25 years, while financials, perhaps surprisingly, have slipped from 20 to 15 per cent, mainly because composite insurance shares have performed so badly.

Elsewhere the Oil sector has grown from 6.7 to 11.7 per cent (it was once proportionately much bigger still, even without British Gas) and the newer sectors, especially Telephone Networks with over 5 per cent, now have a significant weighting.

Although the All-Share's weighted arithmetical structure has entirely fulfilled its theoretical objectives, one or two controversies about other aspects of the index have persisted in professional investment circles over the years.

One is the so-called "BP effect" which arises because the whole of the equity capital of each constituent company is used in the calculation of the weighting.

The actuarial committee which controls the indices has argued consistently that the whole of a company's issued capital is at least potentially available to the market. But portfolio managers have protested that in practice large blocks may be locked away out of reach and should not be included in an index which is designed to track actual portfolio performance.

For many years around half of BP's equity was owned by the British Government.

Because of BP's very large market capitalisation, the consequent underweight representation of BP in most actual institutional portfolios compared to its weighting in the All-Share Index led to noticeable underperformance at times when BP itself performed strongly.

Of course, when the BP share price was relatively weak, fund managers tended to outperform, and in those circumstances, oddly enough, their protests were less vociferous.

The BP effect was followed by the BT effect, when fund managers found themselves underperforming the All-Share Index because of the decision by the actuaries in late 1984 to include British Telecom not only at its full weighting (though the Government retained a near-50 per cent stake) but at the issue price.

Since institutional allocations at the original price were comparatively small, and they had to build up their weightings in the aftermarket at a very large premium, fund managers were bound to underperform—by some 1 per cent on average—and the protests were loud.

Yet the alternative of incorporating BT at its opening market price would have been unduly flattering to fund managers. Their allocations at the issue price produced instant book profits and these would have allowed them to outperform the All-Share.

In the event the Index Committee stuck to its guns and argued that although there might be some grounds for dispute any distortion could easily be quantified and explained to clients.

Interestingly, the managers of the otherwise very similar FT-SE 100-Share Index, the "Footsie," which was introduced in 1984 primarily as the basis for futures and options contracts, adopted the opposite policy on new issue valuations, perhaps because they are more directly influenced by market practitioners.

The different treatment has provided one reason why the "Footsie" has lagged behind the All-Share. But there are others too. The 100-Share Index was designed to track the All-Share very closely, but in practice it has found its elder brother very hard to keep up with. It has dropped behind by 6.8 per cent in a little more than three years and has lagged by 3.4 per cent within the past year alone.

Only a limited part of this can be explained by technical factors such as the treatment of privatisation issues: the TSB and British Gas flotations imposed performance handicaps of about 0.2 per cent each. The rest appears to relate largely to extra performance achieved by smaller companies' stocks, which underlines the value of having a broadly based index.

The very smallest companies are not in the index, but it does include hundreds of medium-size constituents and covers well over 90 per cent of the overall capitalisation of the UK equity market.

The All-Share Index's 25th birthday comes after a period of excellent form for the UK equity market, but what lessons about the market's current value can be drawn from the experience of the past quarter of a century?

Generally speaking it looks somewhat expensive by the standards ruling for most of the time. a yield of 3¼ per cent is around 1¼ points below the average for the period, and as has already been pointed out, share prices in real terms are almost at record levels. Meanwhile the p/e ratio of 17 or so is well above past average figures.

Yet substantial earnings and dividend rises in the pipeline could soon bring the p/e ratio down to a more tolerable 13 or so, and take the dividend yield up to a more comfortable 4 per cent.

Certainly the statistics do not look anything like as hair-raising as those of, for instance, May 1, 1972, when the p/e ratio on the Industrial Group was 21.9 and the dividend yield was under 3 per cent.

What a contrast with the figures applying on the quarter-century's cheapest day as measured by the All-Share—Friday, December 13, 1974. Then, industrials and oils alike typically yielded 13 per cent and the average p/e ratio was under 4.

It was a tremendous buying opportunity. But most people will hope that the next 2½ decades do not bring another day like it.

SELECTED LEADERS AND LAGGARDS

Publishing and Printing	3,448.61
Electricals	2,072.36
Shipping and Transport	1,918.60
Oil and Gas	1,800.45
Contracting and Construction	1,373.83
500-Share Index	1,082.06
All-Share Index	974.45
Packaging and Paper	591.51
Insurance (Composite)	533.66
Metals and Metal Forming	448.72
Merchant Banks	365.41
Motors	325.89

As at April 10, 1987. Base: April 10, 1962=100.

Finance is fun with the Five

From the outside, financial summits like the Group of Seven meeting in Washington last week appear cerebral, sophisticated gatherings. But it is just a veneer. Beneath it, there is slapstick comedy.

Last week's began with a clumsy attempt by finance ministers of the Group of Five nations to assuage the political sensitivities of the Italian government. Its finance minister, Giovanni Goria, had been waging a dogged campaign for a permanent place for Italy and Canada at the top table of international economic policy-making.

In Paris, two months ago, he had boycotted the meeting which led to the so-called Louvre currency pact when it became clear that the Rome and Toronto governments were simply there to rubber stamp the decisions of the Five.

Last week the US, Japan, West Germany, France and Britain were determined not to give up their exclusive talks but were equally anxious to convince the outside world that Italy and Canada had a role to play.

The diplomatic solution could hardly have been less convincing. After three hours of talks in the morning the finance ministers and central bankers of the Five left the US Treasury building for a walk or drive around the Washington monument. Just 10 minutes later they returned to ensure that the television cameras could record them arriving with the Italian and Canadian delegations.

Then, of course, it all went wrong. Having won the point, Goria, who was anyway returning to Rome to resign his post in the outgoing coalition, appeared to disown the ministers' communique.

Within a few hours an unofficial West German statement, insisting that Goria must have been "misunderstood," was circulating in the IMF press room.

The Italian minister stepped off Concorde in London to find he had succeeded in creating yet another political storm and his embarrassed insistence that his remarks had been wrongly reported ran into the problem that they had been heard by 15 or 20 journalists—some of whom had taken the trouble to record them on tape.

The delight among journalists at the official disarray was marred, however, by the appalling behaviour of many of them when the meeting ended. The public perception that journalism ranks with second-hand car dealing in professional status was vividly reinforced by the spectacle of scores of reporters on the Treasury steps fighting each other to be first to get the communique.

Amid such squalor the prize for the most gentlemanly behaviour of the week must go to Edouard Balladur, French Finance Minister. He arrived with a new plan for increased help for the poorest nations in sub-Saharan Africa, only to find that Nigel Lawson, the Chancellor, had stolen the publicity limelight with an almost identical initiative.

No matter that the French minister had revealed his plan a week earlier to a meeting of European Community finance ministers. He insisted that it would be "childish" to argue with Mr Lawson over who should get the credit. As long as something was done to help to alleviate poverty in these countries, the question of who gained the credit was immaterial.

Finally, let it not be said that the Japanese, in these difficult times, lack a sense of humour. Japan's deputy finance minister, Toyoo Gyohten, managed to tell a joke about the foreign exchange dealers who were threatening to wreck the ministerial accord even before the ink was dry.

He spoke of the dealer who insisted that he took a short-term, a medium-term, and a long-term perspective when dealing in the markets. So how far ahead was his long-term view? Oh, about 10 minutes.

"I've found thousands of multiple British Gas applications—who's this bloke called Sid?"

Men and Matters

Family fortunes

Larry Tisch, the New York financier who recently took charge of CBS, and his brother, Bob Tisch, currently doing a spell as US Postmaster General, are responsible for popularising the "power breakfast" — the early morning ritual at the Tisch family's Regency Hotel on New York's Park Avenue where big business types make mega-deals between sips of freshly-squeezed orange juice.

One "mega-merger" being discussed at the tables at the moment is likely to be the forthcoming marriage of Jonathen Tisch, Bob Tisch's son and president of the family's Loews hotel chain, and Laura Steinberg, daughter of another New York financial titan, Saul Steinberg.

While the proposed union probably does not rank with Gertrude Vanderbilt's marriage to Harry Payne Whitney or Zsa Zsa Gabor's marriage to Conrad Hilton, it is still being studied with great interest by the gossip columnists on and off Wall Street.

Of the two families, the Tischs appears to be slightly ahead in the social acceptability stakes. But Saul Steinberg is said to be improving his public image and, according to Forbes magazine, is prominent on several top New York civic and charitable boards.

Neither family is quite as rich and famous yet as some of the "old money" which still opens doors in New York society. But they are working on it. The latest Forbes rankings of the richest people in America estimates Bob Tisch is worth \$950m, and Saul Steinberg, \$650m.

To put this in perspective, David Rockefeller, the grandson of J. D. Rockefeller and a former chairman of Chase Manhattan Bank, is said to be worth more than \$1bn, but famous names of yesteryear such as the Vanderbilts, Carnegies, and Fricks are no longer wealthy enough to get into the Forbes list.

Danger work

Robots are killing people at the rate of around 20 a year worldwide, Prof John Ashworth tells me.

Ashworth, vice-chancellor of Salford University, is keeping count as part of his university's interest in the reliability of computers and robotic systems.

The homicidal robots are not those designed as fighting machines, but the chummy ones working alongside people in factories, which earn nicknames like Jerky. Elusive flaws in their programming can cause them to flail without warning, and woe betide anyone in their way.

It may be some time yet before we can trust one with a laser beam.

Observer

The Case of the Tailor's Hands

(from an unpublished adventure of Mr. Sherlock Holmes)

"But Holmes, how on earth did you deduce that our mysterious visitor acquired his wardrobe ready-to-wear - and from Chester Barrie?"

"Come now, Watson. The man had not been in London long enough to get made-to-measure garments, yet everything about him said, 'Savile Row'. Surely you observed the hand-made button holes and the natural horn buttons? The precision of the stitching indicated skilled hands - using pure silk thread, I fancy. And there was the unmistakeable effect of hand-pressing with the heavy gas-iron".

"So Chester Barrie showed their hand?"

"Excellent, Watson. Like me, they have their methods".

Chester Barrie
SAVILE ROW LONDON
32 Savile Row London

ECONOMIC VIEWPOINT

The real dollar argument

By Samuel Brittan

DO THE Americans sincerely want to save the dollar; and are other countries prepared to play their part in a co-operative effort?

If governments and central banks are determined to stabilise the pattern of parities, they can do so. Not by intervention alone, which has never worked without other policies. The requirement is that monetary policies be directed to the exchange rate and the consequences for other variables — inflation, output and so on — be taken on the chin.

What these exact consequences are will depend on how the task is shared between the key central banks. Should the main burden be on the US to tighten monetary policy, when the dollar is under strain, or on West Germany and Japan to reduce their interest rates and inject more reserves into the system?

The main doubt lies not in the ability of national authorities to maintain roughly the present exchange rates, but in their willingness to do so when it clashes with other objectives.

From the first Plaza meeting of September 1985 onwards, the central banks have been notably more sceptical about the stabilisation exercise than the Finance Ministers, not so much because of their superior wisdom but because they dislike having their hands tied in monetary policy.

Yet amid the scepticism with which the financial world greeted the generalities of the Group of Seven communique, an important statement by the head of one central bank, Paul Volcker of the Fed no less, taking a step towards an exchange rate-based policy, did not receive enough attention.

Testifying to a Senate banking sub-committee on April 7, Mr Volcker, after pointing out that intervention was "a limited tool" and calling for "a reduction in the US Budget deficit and fiscal stimulus abroad," then went on to say:

> The conduct of monetary policy, here and abroad, will be relevant as well. The performance of the dollar in the exchange market might become a factor bearing on our provision of reserves; I should think our central banking colleagues abroad may wish to take account of such circumstances as well.

★ ★ ★ Key US indicators ★ ★ ★

(per cent of GNP)

	Federal savings	Other savings	Net investment	Current account deficit
1971-1980	−1.8	8.8	6.7	−0.2
1981	−2.1	7.8	5.5	−0.3
1982	−4.6	6.6	2.0	0.0
1983	−5.2	7.1	3.1	1.0
1984	−4.5	8.7	6.6	2.4
1985	−4.9	7.8	5.6	2.9
1986	−5.0	7.6	5.7	3.1

Source: L. H. Summers, Testimony for House Budget Committee, Feb 4, 1987

This is a notable departure given the Fed's past reluctance to elevate the exchange rate into a main determinant of monetary policy. The words have been accompanied by some slight hardening of policy and one or two small base rate increases—as well as a rise in US long-term rates to above 8 per cent brought about independently by the bond market.

The Volcker quotation does not, of course, settle the matter. Although recent talk in the US of lower interest rates has gone completely into reverse, we do not know the Fed's precise trade-off between a stable dollar and domestic objectives. Nor may the Fed until it has seen the extent of the pressures.

We do not even know if Mr Volcker will be reappointed by an Administration still addicted to growthmanship.

The Baker statement does, howevr, bring to light a difference in the degree of fragility in the Group of Five accords on the dolar-yen relationship and on that between the dollar and European currencies.

While the latter has some fight left in it the future of the dollar-yen accord looks quite uncertain, even now that it has been rebased around a new central point of Y146 to the dollar in place of Y154.

Indeed, the West German authorities seem quite content to see the yen rise, which gives German industry the benefit of some depreciation against Japan.

The German Federal Republic seems to get off far too lightly at these international gatherings. If there is an economy that is undershooting, even by the most rigorous sound money standards, it is the German.

On IMF forecasts German growth will drop from just under 2½ per cent in 1986 to less than 2 per cent in 1987, in each case less than Britain. In the last few months the growth rate has been about zero. At the same time domestically generated inflation, measured by the GDP deflator is put at 2½ per cent. Thus the growth of Nominal GDP will be less than 4½ per cent, even on IMF estimates. This is much lower than the non-inflationary objectives for demand growth on which the German monetary targets are based.

At an Aspen Institute conference in Berlin, many of the German participants bemoaned the lack of intellectual leadership in their own country; and when I mentioned the names of one or two people, I was told "economists are not intellectuals" and my names were scathingly dismissed. Perhaps the real malaise throughout German history has been the impatience with coherent analysis of meaningful problems and the identification of intellectuality with Spenglerian visions or Hegelian metaphysics.

As for the dollar, the problem is a lack of assurance that the American authorities—or even international bodies—really want to hold it within present ranges.

Professor Martin Feldstein, a recent chairman of the Council of Economic Advisers, has called for a 20 per cent devaluation of the dollar to Y120 and DM 1.50—which he thinks is required merely to balance exports and imports, leaving $60bn pa of interest payments to be financed by foreign borrowing. IMF and OECD reports are full of coded references to the US current deficit remaining high at present exchange rates.

Yet as so often, the sophists and calculators may be wrong. The present real dollar exchange rate is within 10 per cent or so of the low point reached in 1979-80. That low point was itself about 40 per cent below th real dollar rate in the 20 years up to the collapse of Bretton Woods in 1971. That collapse may have shown that the dollar was overvalued (or US internal policies too inflationary), but by nothing like 40 per cent.

The true genesis of the US current deficit is shown in the table. A large increase in the Federal deficit has acted as negative savings and has been financed from overseas. This would not have mattered if other savings had risen; but along with domestic investment they have slightly fallen. The current deficit is the mirror image of the capital inflow. One implies the other as a matter of simple book-keeping.

Prof Lawrence Summers now joins Feldstein in arguing for a 20 to 30 per cent dollar devaluation. But when Summers presented the table to Congress in early February, he drew rather different conclusions.

Further reductions in the dollar, he said, "would reduce the trade balance but only at the cost of reducing capital inflows and depressing US investment." His emphasis on US savings and investment was nearer the point than his present line.

The main weakness of the "further dollar depreciation" school can be seen by looking at it from the point of view of the surplus countries. The D-Mark has risen from over DM 3.4 to the dollar to about DM 1.80 in two years. The yen has risen from Y260 to a little over Y140. Further appreciation to DM 1.50 and Y120 would impose an excessive burden of adjustment on the German and Japanese economies (and the many others to which they are linked). As it is the reduced international competitiveness of West Germany and Japan is the main reason for sluggish world growth prospects. Further real appreciation would do damage beyond the power of the most intellectually sophisticated internal stimulus to repair.

There is one luxury, which governments and central bankers would so obviously love, but do not have. This is to say the dollar has fallen enough for the present; but that they will have another look at it later to see whether it needs to fall by the Feldstein amounts.

If the market's central expectation is that the dollar will fall by more than the two or three percentage points per annum implied in interest differentials, then the dollar fall will take place in very short order as the result of rational precautionary action by investors.

The Group of Five needs either to take determined action to maintain present exchange rate ranges, so that a Feldstein-type devaluation seems most improbable; or to accept such a devaluation and get it over as soon as possible. Failure to choose will lead to a tottering dollar, punctuated by crises further damaging world growth.

Water privatisation

An inescapable case for a local solution

By David Kinnersley

DROUGHT AND flood are natural hazards which water authorities in England and Wales can take in their stride, but coping with man-made political hazards they find far more perplexing.

For them 1986 was a switch-back year, with privatisation semi-launched by Kenneth Baker's White Paper in February and then briskly aborted in July by Nicholas Ridley when he replaced Mr Baker as Environment Secretary.

But 1987 may be just as bad behind the scenes: major parts of the privatisation legislation are being drafted while the water authorities, the Government and powerful outside interests are still at cross-purposes about what to do.

For much of last year, water authority leaders acted as if they would welcome early privatisation, leaving the question of how water services were paid for until later. Always implausible, this view is now untenable. All the signs are that a re-elected Mrs Thatcher will go headlong for rates reform in England and Wales, following already planned legislation for Scotland. But favourable presentation of any new system, such as an adult resident tax, depends on discrediting the existing system of domestic valuations upon which the rating system depends.

Water authorities get more than half their income from bills based on these valuations. They will not want to follow the Scots into funding water supply and sewerage services through the resident tax process and so strengthening their links with local government. This would not fit with privatisation at all.

Talks now of legislation for metering trials could conceal the fact that many managers are hoping to hang on to some version of the rating system that Whitehall would be discrediting. Identifying metering with privatisation creates hazards for Mr Ridley too.

Another issue taking a turn for the worse is the state of the rivers. The publication of the 1985 River Quality Survey —deliberately low-key near Christmas — showed that earlier trends of improvement are now being reversed.

The role of water authorities as full-time sewage works operators and thus occasional polluters clashes here with their role in setting and policing the permissible level of discharges (consent levels).

The White Paper was at its least realistic when it suggested that both these roles — polluter and policeman — could pass to privatised water regions. This would not only be constitutionally wrong: it would put each regional water company in a position largely to control the scope for other industries to make discharges into rivers. The CBI has been strongly opposed to this in principle and for the scope it offers to snuff out competition from the only alternatives to monopoly piped services.

Privatisation cannot be like that of British Telecom because water is a local resource

To defuse this conflict, Whitehall has invented a grander pollution inspectorate covering waste disposal to air, water and land. It will start operating this month, but with very few staff. Yet if the new inspectorate becomes effective, control of river pollution will pass from the river basin to Whitehall—and the new inspectorate is not even intended to cover drinking water. Thus water authority chairmen may get the worst of both worlds

So what other options are available to Mr Ridley, arguably one Minister who understands that privatisation must promote more competition and flexibility to be worthwhile?

First he can recall that nearly a quarter of water supply is already in the hands of private water companies (with limits on dividends) and that most sewerage operations are contracted out to local councils. So Mr Ridley could extend this sub-division of utility services on a local basis. Why not get some water companies to provide sewerage services as well in their supply areas, as well as encouraging consortia of consulting engineers and contractors—and perhaps process companies like Shell—to bid for sewerage and local water supply contracts in other sub-regional areas? This would establish the privatisation of water upon the base of the substantial private sector expertise which is already available in the water and sewerage industries. This would bring two benefits the White Paper proposals missed. It would give existing private groups scope to gain operating experience, the lack of which puts them at a disadvantage in overseas competition.

Second, it would enable the river basin functions to be kept in the public domain (this is largely necessary) but at regional level these functions would be closely geared to river basins. The existing public basin authorities could then be guardians of the water environment and regulators of the utility companies within each region.

The privatisation of water authorities cannot be like that of British Gas or Telecom because water is a local resource, not a national network; because there are ten separate regions each with real differences; because water assets were never nationalised and much of their debt is still with local councils; because so much of their income is collected by the rating system, because water supply is about 25 per cent private already and because public limited companies cannot be river basin guardians.

Water authority leaders probably play down these points to Mr Ridley but the Country Landowners' Association and the CBI will sensibly be pressing him towards a new privatisation pattern which will keep care of the water environment in pubic river basin regions and enable regional water companies to manage local water utilities without acting as part-time policemen as well.

The author is an international water consultant and a board member at the Public Finance Foundation (3 Robert Street, London, W.C.2).

Letters to the Editor

Reorganising the World Bank

From Mr P. Byrne

Sir, — I heartily congratulate you and the three authors of the articles: the crisis in developing countries (March 6). They were the most interesting articles I have read on this subject.

All the articles were apt and well-timed, more especially because the World Bank is expected to be reorganised this year. This reorganisation is over-due because the World Bank has not the mechanism and power to unravel the complexities that exist in the international banking system at the present time.

The most urgent addition to the functions of the Bank is to establish a world clearing system for all international debt payments, and world financial flows. It is imperative that a world central bank exists that has the mechanism to channel all the net balances of these flows through the clearing system to avoid the fragmentation of these precious funds.

A world central bank is also necessary to act as "lender of last resort," especially to international lending banks, which have serious liquidity problems. Otherwise, panic conditions may arise which will have disastrous effects on the world economy.

The world banking system must be protected.

P. J. Byrne,
Fellow of the Institute of Bankers (Ireland),
Mary Mar Hotel,
Costa Malaga,
Spain.

Electronics and the EEC

From Dr P. Walker

Sir,—Those of us involved in the electronics sector must be concerned at the delays in reaching agreement on the Community framework programme, and hence, on the continuation of the collaborative pan-Community R and D programmes such as ESPRIT and RACE.

Having been personally involved in the mid-term review of the ESPRIT programme, I was struck by the almost unanimous agreement among large and small companies in the electronics sector as to the benefits that were resulting from their participation in ESPRIT.

If one accepts and believes that the European electronics industry needs to collaborate to provide an effective counter to the might of the US and Japanese industry, then ESPRIT has been extremely successful in stimulating and fostering such collaboration.

But where do we go from here? Surely now is the time for those who believe in the need for a pan-European electronics industry to stand up and be counted, and to advocate full-hearted support for the proposed Community's R and D programme.

Dr P. A. Walker
Executive Director,
BIS Mackintosh,
Mackintosh House,
Napier Road,
Luton.

Burton Group options scheme

From Mr D. Gorman.

Sir,—The Lex Column in your edition of April 4 contains an entirely unjustified slur on the Burton Group board.

It says: "No wonder the board has chosen to base its notorious options on earnings per share growth, rather than the performance of the shares themselves."

The EPS-growth provisions of the scheme do not determine the amount of the option-holder's benefit. They are conditions which prevent the options from being exercised unless shareholders have enjoyed the specified levels of EPS growth. Thus even if the fundamental conditions of share price performance is sataisfied, if the price increase happens without the specified EPS-growth (that is as a result of bull market or other fortuitous circumstances) the options will not be exercisable, and the holders will get no benefit from them.

Under such a scheme shareholders can benefit without the option-holders benefiting, but not vise versa.

Don Gorman,
William M. Mercer Fraser Ltd.,
16 Caxton Street, S.W.1.

The roles of auditors and consultants

From Mr K. A. Mitchell

Sir,—Your well balanced and objective article by Michael Skapinker on the problem of the duality of auditors and consultants made excellent reading.

Those of us who started our careers in the profession in the '50s enjoyed 10 years of dramatic growth and acceptance by industry of the role and effectiveness of the consulting function. Four major firms led this expansion by applying practical techniques and securing very significant benefits for their clients. High reputations were deservedly gained and are still enjoyed.

But since the early '70s the main protagonists have lost market share to those consulting firms stemming from audit practices. Inevitably, and with no suggestion of dishonesty, the auditor is in a privileged position *vis-a-vis* the client and is privy to the problems and opportunities in and facing that client organisation. The auditor should see during the course of his work the strengths and weaknesses of the client organisation and is therefore bound to be in a position where he can recommend the application of external skills if these do not exist within the internal client organisation.

Thus the auditor has the "inside lane" and he would be less than human if he were not to recommend the services increasingly available from his own firm.

Much has been said in recent months of the need for Chinese walls in other contexts in your pages and one wonders whether this could or should not also apply in the relationship between the auditing and consulting divisions of the major accounting practices.

There is one possible solution.

Most clients, these days, when they recognise a situation where they should be considering the use of outside skills, invite a survey and proposal from more than one suitably qualified source of professional consulting advice. A proposal should contain an appraisal of the situation as seen by the consultant, the proposed course of action, the benefits to be expected and the time and cost involved in hiring the consultant's services. Comparing these proposals and meeting the consultants concerned enables the potential client to choose the one he feels (rightly or wrongly) to be the most appropriate.

Where an auditor, in his privileged position, is invited to make a proposal, I suggest very positively that such an invitation should be communicated by the auditor not only to his own consulting colleagues but also to the Institute of Chartered Accountants and the Institute of Management Consultants in order that other suitably qualified firms be invited to compete on merit for the potential business.

Kenneth A. Mitchell,
Fellow of the Institute of Management Consultants,
1 Back Lane,
Henley-in-Arden,
West Midlands.

Researchers and advice

From Mr D. Watkins

Sir, — Your article "Polls command attention" (April 2) highlighted the opportunity open to researchers to move into the value added aaea of giving advice, currently dominated by management consultants.

I, of course, support thorougt research as a good input into assessing appropriate strategy and welcome increased professionalism.

However, lack of clarity about direction is less of an issue than whether the organisation has the capability to translate those wishes into action, or can add that capability within time and cost constraints.

The overwhelming response to our newly developed consulting approaches suggests that there is a significant gap between strategy and technical systems consulting. Capability consulting will be a mojor growth market as organisations, knowing full well what they want to do, struggle to put their plans into action.

Research must contribute to analysis, but it can't eventually substitute for the vision and maturity of judgment which are the capabilities required to provide effective consulting advice in this emerging and critical arena.

D. M. Watkins,
Operations Director, Kinsley Lord Management Consultants,
16, Old Queen Street,
SW1.

Accounts and activity

From Mr J. D. Berridge.

Sir,—I applaud the idea of democratic share capitalism (March 30). But how can I be guided by your estimable paper when the accounts which the companies publish do not bear any resemblance to the activity of the company?

I refer to the recent critic from the Chartered Accountants and the ASC. The balance sheets published simply show lumped profit and show nothing to indicate how the profit was made. Today all companies are in "takeover" activity and the financial gains from "takeover" are lumped with the working profit.

I look forward to accounts which show the profit and loss account, the trading account, the sales account and the allocation account with the breakdown of the profit from sales. Today, most of the profits come from the variations of the share prices and that doesn't help in investing for democratic shareholding.

John D. Berridge,
Sunnycroft,
29 Heoldon, Whitchurch,
Cardiff.

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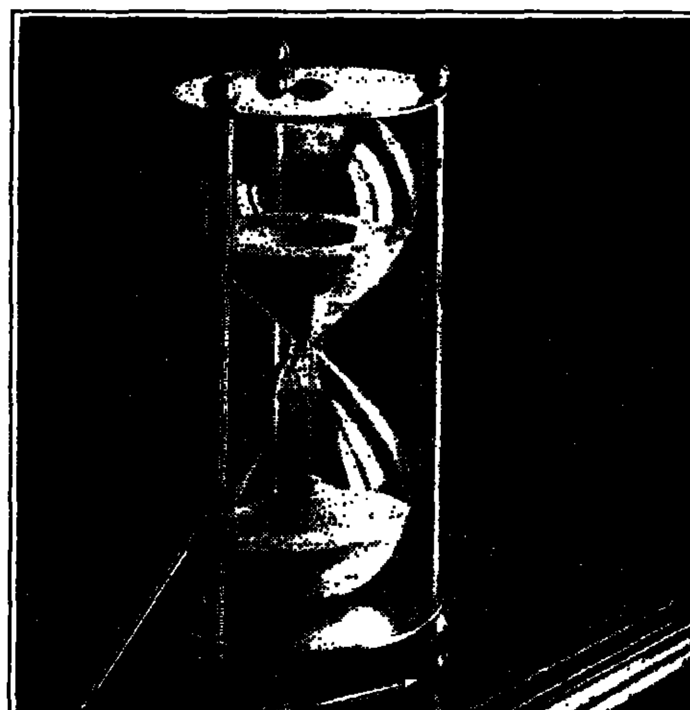

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FINANCIAL TIMES

Monday April 13 1987

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By Paul Hannon on Wall St

Spectre of inflation returns

THE SPECTRE of inflation returned to Wall Street last week with many investors running for cover as the dollar plunged and higher short-term interest rates lurked around the corner.

The finely balanced market emotions of fear and greed tilted toward the former with the Dow Jones industrial average showing a 50 point drop over the week.

The Dow Jones utilities average, which is the more interest-rate sensitive index and the weather vane of future credit market activity, was down 4 per cent during the five sessions with a fall of almost nine points to 204.34.

Investors rushed into gold and precious metals sectors, normally considered safe inflation hedges against the impact of a weak dollar.

Battlemountain Gold, a Nevada gold mine operator traded on the over-the-counter market and in Toronto, soared to a new 12-month high of $38¾ showing a week-on-week gain of $5¾.

St Joe Gold, with mining interests in the US and Chile, was catapulted $4¼ higher to $19½, also a new 12-month peak, as spot gold prices jumped to $433 in erratic trading. The Comex June contract finished the week at $436.70, a gain of almost $13.

What the gold market did, other metals were quick to imitate. A flurry of buying in aluminium stocks, partly attributed to a strong recommendation from E. F. Hutton, triggered a $3¾ surge to $66¼ for Reynolds Metals.

Inflation and interest rate phobias were fuelled by the oil sector which brightened on news that Norway was prepared to push up prices and keep production low to help Opec's current output regime.

Most of the leading oil group's posted gains of between $1½ to $2 although the bouquet of flowers was reserved for Pennzoil which finished the week with a $10⅝ advance to $92¼ on the growing hopes of settlement with Texaco in their $12bn legal joust. Texaco, showing signs of fatigue, was marked down almost $6 on the week to $31⅞, but still above its low for the year.

The recent signs of recovery in leading housebuilding shares faltered as the prospect of higher borrowing charges was factored into analysts' projections.

Although the overall housing market might be threatened there are some pockets of strength remaining with California still considered a house-building paradise. The market adopted a slightly more jaundiced view last week by trimming $2 off the $25⅝ share price of Kaufman & Broad, the largest West Coast housing group.

Such a move is perhaps not too surprising when credit market analysts are now openly talking about a half percentage point rise in the discount rate sometime this week or next.

The latest batch of retail sales showed a mixed spending pattern and persistent wide regional variations. JC Penny was one of the unlucky ones that actually showed a drop in sales during March. It ended the week $5½ cheaper at $96½.

Detroit did not miss any of the fun. General Motors, which reserved a closed session with analysts for the end of the week, began to display some of its old instinct for grabbing market share.

By any definition, American car makers should be swamped with domestic demand as the weaker dollar unravels the fortunes of their Japanese arch-rivals for the past decade. Yet the policy of many American car makers has been to move their prices up in tandem with any showroom increase of Japanese models.

The net impact, instead of actually snatching back local custom, has been simply to push up the prices of new cars overall, thereby adding to the inflationary pressures again.

As the yen has hit successive post-war highs against the dollar in recent weeks, some Far Eastern imports have jumped by as much as 22 per cent in retail prices.

In the hope that Detroit is now prepared to battle for the all-important new car market in its own backyard, General Motors roared ahead $6¼ to $86.

Perhaps the important thing that emerged last week was the public impotence displayed by finance ministers of the leading industrial nations when they convened and concluded that foreign exchange rate stability was, after all, a laudable goal.

Such a hard-won conclusion will offer little solace to the markets during the next five days in which the dollar will again dictate the pace of trading. The Federal Reserve may be tempted to push up the discount rate. That may nudge the economy off its tightrope into a recession during the run-up to an election year.

Stephen Butler reports on a radical challenge to communist ideology

Vietnam seeks Western investment

SOUTH-EAST Asia's communist giant, Vietnam, is putting the finishing touches on a foreign investment law which would represent a radical departure from communist ideology and its economic practice.

The law, which is in the final stage of drafting and could be presented to the National Assembly as early as June, would allow for wholly-owned foreign companies and the repatriation of profits.

All areas of the economy would be open for investment, with the exception of defence and public utilities. Disputes could be settled by arbitration in third countries, meaning that the foreign partner would not have to rely exclusively on Vietnam's domestic legal system.

Enactment of the measures would mark the most significant economic policy initiative since the sixth congress of the Vietnamese Communist Party last December, during which Vietnam ushered in a new generation of political leadership and issued a stinging criticism of Vietnam's economic management since the close of the Vietnam war in 1975.

The law could pave the way for an opening of the economy to the Western world and reduce Vietnam's heavy dependence on the Soviet bloc. Vietnam is one the poorest countries in the world.

Officials say the law was designed to avoid the problems that have plagued investors in China, where foreign investment plunged last year.

Diplomats are nonetheless sceptical that the measures in Vietnam can be enacted without revision because of their social and political implications. Doubts persist about the ability of Vietnam's bloated bureaucracy to respond to a new way of doing business.

Vietnam's infrastructure – including transport, electricity, water supply, and telecommunication – is extremely, underdeveloped.

US efforts to isolate Vietnam politically and economically will also be an inhibiting factor.

The chief attractions of Vietnam are cheap wages and access to the domestic market. Vietnam's population is about 65m and growing rapidly.

Industrial wages can be less than $6 a month at official exchange rates, although the government heavily subsidises food and housing.

The method of determining wages under the draft law is still unclear. Wages would be much higher than current ones and in principle would be comparable to other wages in the south-east Asia region. Workers would be assessed for income tax, but would be allowed to retain substantially greater earnings than ordinary Vietnamese workers.

This would alleviate a key problem which arose in China, where plant managers found they could not effectively use material incentives to motivate their work force.

Foreign joint ventures would in principle be allowed unlimited access to the domestic Vietnamese market. However, each joint venture would be responsible for all foreign exchange needs, and the repatriation of profits would be impossible if the company did not earn hard currency.

Profits would be taxed at 25 per cent, 20 per cent for ventures in priority areas. These include concerns which feature high volume exports to hard currency countries, extensive use of local labour, exploitation of existing resources in Vietnam, introduction of high technology, and of the earning of foreign exchange through service industries.

Taxes may be deferred for two years after a venture begins to earn a profit, and reduced by 50 per cent for the subsequent two years. Losses in the start-up years could be compensated for from profits in later years, with a limit of five years. A normal investment period would be 20 years, although this could be extended.

Companies could be set up anywhere in the country. Although 100 per cent foreign-owned firms would have to be heavily export oriented, there are no minimum stipulations.

The draft, which has not yet been publicised inside Vietnam, could provoke considerable controversy because it would create a class of rich workers. There could be serious bureaucratic rumbling if the government guarantees electricity or other infrastructural support in preference to domestic enterprises.

Vietnam's current industries are operating at less than 50 per cent capacity due to shortages of raw materials, electricity, water, and transportation, and an inability to maintain machines.

The law would establish a state commission of foreign investment, headed at the deputy prime minister level, with members drawn from all the economic ministries. The commission is designed to provide for one-stop problem solving by cutting through the intense bureaucratic competition and infighting that plagues the Vietnamese economy. Heavy scepticism will remain until the commission proves that it can function effectively.

Japanese companies are thought likely to be the first to take advantage of the new law. Virtually all the major Japanese trading companies have established a strong presence in Vietnam. Japan is Vietnam's largest trade partner outside the Socialist bloc, with bilateral trade rising from $128m in 1982 to $272m last year.

Many observers reckon that as the process of economic reform in Vietnam takes root, the domestic market could grow rapidly.

Indian Defence Minister quits in corruption inquiry row

BY K. K. SHARMA IN NEW DELHI

INDIA'S Minister of Defence, Mr Vashwanath Pratap Singh, resigned yesterday after fierce criticism over an inquiry he had into a major armaments deal.

Mr Singh was widely criticised by members of the ruling Congress-I parliamentary party and his cabinet colleagues when he announced late last week that he had ordered an inquiry into the payment of a commission of R300m ($25m) to an Indian agent for a R4.25bn armaments deal.

Although details of the deal were not announced, it is thought to be the purchase of four submarines by the Indian Government from Hochwald Deutsche Werft (HDW) of West Germany in 1983.

This was an investigation by the US detective agency, the Fairfax Group, ordered by Mr Singh when he was finance minister into questionable foreign exchange practices by some well known Indian businessmen.

Mr Singh ordered the inquiry but came under severe attack from Congress-I members for seriously embarrassing Prime Minister Rajiv Gandhi at a time when the Government had already gone through a serious crisis and a mauling by opposition parties on a matter also involving Mr Singh.

This was an investigation ordered by Mr Singh when he was

Mr Rajiv Gandhi

minister of finance into questionable foreign exchange dealings by Mr Dhirubhai Ambani.

Mr Singh has been in the forefront on the drive to root out corruption in India. As Finance Minister, he was responsible for ordering tax raids on the houses and business premises of many leading Indian industrialists, a few of whom were also arrested.

He was moved to the Defence Ministry last January during a build-up by India and Pakistan along their border. This shift was widely interpreted as an attempt by Mr Gandhi to remove Mr Singh from the Finance Ministry because he had become a powerful public figure and a possible threat to the Prime Minister.

Mr Singh yesterday announced he would not hold any office in the Government in the future "to nail the lie of those who have been carrying on a rumour campaign that I am over-ambitious."

During a fierce week-long debate on the Fairfax investigation Mr Gandhi was strongly attacked by opposition parties which alleged that he had tried to sidetrack the investigation because people close to him were involved.

Hardly had the controversy over the Fairfax investigation been closed by the appointment of a two-member commission of inquiry into all aspects of the matter, than Mr Singh announced his decision to order an inquiry into the submarine deal.

Mr Singh justified the hiring of the Fairfax Group on the grounds that he had been asked by the Prime Minister to bring to book all economic offenders. He said he had ordered the inquiry into the submarine deal because Mr Gandhi had declared recently that no commissions would be permitted on any armaments deals.

Mr Singh was severely attacked for making a public announcement of the inquiry at a time when Mr Gandhi was already under attack since this gave the impression there was widespread corruption in the Government. Mr Gandhi then came under strong pressure to dismiss the Defence Minister.

Cartel by N Sea charterers broken

By Kevin Brown, in London

A GROUP of British shipowners in the depressed North Sea supply-boat market operated a secret price-fixing agreement known as the "Coffee Club" in an attempt to keep charter rates above break-even levels.

The cartel was almost certainly in breach of UK and EEC competition law. It operated from July last year to February, when it collapsed because of predatory pricing by outsiders.

The group was euphemistically known as the Coffee Club, because its meetings were referred to by participants as coffee mornings.

The aim of the cartel was to keep minimum charter rates for spot business (short-term charters) above £2,300 ($3,680) a day, generally regarded as a minimum economic level.

The group managed to sustain rates above £2,000 a day for eight months, but appears eventually to have been outflanked by competitors, who are said to have undercut the cartel rate by about £100 a day.

The cartel held its last meeting in February. Rates fell to £1,300 in March, and have since continued to decline steadily. Charters as low as £850 have been reported in recent weeks.

Nine companies are believed to have been members of the cartel.

All are members of the British Offshore Support Vessels Association (Bosva), which represents the bulk of UK companies operating in the North Sea.

Bosva declined to comment on the operations of the Coffee Club. It is clear, however, that the cartel was not organised by the association itself.

None of the members of the cartel would agree to be quoted on the record, largely because of fears of investigation by the Office of Fair Trading.

One insider said, however: "The offshore companies are, first and foremost, competitors in the market place; they are not a cosy cartel. They were sitting down to try to survive, because you cannot go on running ships that require £2,500 a day on £850 a day."

Another said: "A very large number of us got together early last year to try to see if we could stop the rates for the spot market falling through the floor.

"We had an agreement which kept those rates at realistic levels. It was never a sort of cartel arrangement, it was just trying to keep the rates from absolutely collapsing."

The offshore supply industry faces fierce competition from overseas registered ships, particularly those owned in Norway, which Bosva has accused of swamping the market.

Almost a third of the vessels operated by Bosva members are laid up, and a further 45 per cent are operating in the spot market, where employment is at best spasmodic.

Bosva has pressed the Government to impose restrictions on foreign competition and inward registration of foreign-owned vessels. However, ministers are known to be reluctant to agree to protectionist action of this sort.

Details, Page 12

Britain wins Chinese ships order

BY KEVIN BROWN, TRANSPORT CORRESPONDENT, IN LONDON

BRITISH Shipbuilders is expected to announce today that it has won an order to build three container ships for the People's Republic of China.

The contracts are believed to have been signed in Hong Kong yesterday. The order is thought to value the ships at about £25m each. It is expected to be financed by low-interest loans provided by the British Government through the overseas development aid programme.

Several West German shipyards are believed to have been in competition for the order. The ships could probably also have been built in China, which last year launched more than twice as much tonnage as the UK.

The order would provide a lifeline for British Shipbuilders' Govan shipyard in Glasgow, which designed the ships and is likely to build at least two of the series.

The building dock at Govan has been empty since the launch earlier this year of the last ship on the order book, the £40m cruise-ferry Norsea, build for North Sea Ferries.

Govan is in the process of laying off 1,000 of its 1,300 hourly-paid workers and is seeking non-shipbuilding fabrication work for the rest.

The Chinese order would give British Shipbuilders an 85 per cent full order book. This is largely a reflection of the reduced size of the corporation, however, following a 40 per cent cut in capacity to 120,000 compensated gross tons.

British Shipbuilders hopes the order will provide a breathing space during which it can attract orders for a new generation of sophisticated cargo and research ships for which designs were launched last month.

The state-owned corporation also hopes to win orders from Brittany Ferries for a roll on roll off vehicle ferry and from Cuba for three refrigerated cargo ships. Negotiations are believed to be progressing slowly, however.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	17	63	Dubrovnik	F	17	63	Malta	F	21	70	Rhodes	C	20	68
Algiers	F	26	79	Edinburgh	C	8	46	Manchester	F	11	52	Rio de J'o	S	35	95
Amsterdam	C	12	54	Faro	F	17	63	Manila	S	35	95	Rome	C	21	70
Athens	S	20	68	Florence	F	19	66	Melbourne	S	15	59	Salzburg	S	17	63
Bahrain	S	26	79	Frankfurt	C	14	57	Mexico City	S	26	79	San Francisco	S	11	52
Bangkok	S	35	95	Funchal	F	19	66	Miami	S	13	55	Seoul	F	15	59
Barcelona	F	19	66	Geneva	C	10	50	Milan	R	11	52	Singapore	F	31	88
Beirut	S	22	72	Gibraltar	S	19	66	Montreal	C	6	43	Stockholm	S	2	36
Belfast	R	9	48	Glasgow	C	9	48	Moscow	S	2	36	Strasbourg	C	12	54
Belgrade	C	24	75	Guernsey	C	10	50	Munich	F	16	61	Sydney	C	17	63
Berlin	C	15	59	Helsinki	S	4	39	Nairobi	–	–	–	Taipei	S	30	86
Biarritz	R	12	54	H. Kong	C	24	75	Naples	S	19	66	Tangier	–	–	–
Bombay	S	30	86	Innsbruck	F	18	64	Nassau	C	26	78	Tel Aviv	F	19	66
Bordeaux	C	14	57	Inverness	R	7	45	New Delhi	S	30	87	Tenerife	F	21	70
Brussels	C	12	54	Islamabad	S	23	73	New York	S	14	58	Tokyo	C	18	64
Budapest	C	13	55	Istanbul	S	17	63	Nice	R	13	55	Toronto	S	3	37
B. Aires	R	23	73	Jakarta	R	33	91	Nicosia	S	21	70	Tunis	C	23	73
Cairo	S	24	75	Jersey	S	12	54	Oporto	F	14	57	Valencia	F	23	73
Cape Town	F	21	70	Jo'burg	S	26	79	Oslo	F	3	37	Venice	C	13	55
Caracas	S	31	88	Lima	S	26	78	Paris	C	13	55	Vienna	C	16	61
Casablanca	C	17	63	Lisbon	R	18	64	Peking	R	12	54	Warsaw	C	8	46
Chicago	S	-1	30	London	C	13	55	Prague	F	16	61	Washington	S	8	46
Cologne	C	13	55	Los Angeles	S	32	89	Reykjavik	R	2	36	Zurich	C	11	52
Copenhagen	C	3	37	Luxembourg	C	11	52								
Corfu	S	19	66	Madrid	F	14	57								
Dallas	S	6	43	Majorca	S	21	70								
Dublin	R	9	48	Malaga	S	20	68								

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Japan renews Gatt threat

Continued from Page 1

meeting of the major industrial countries in Paris, the US has been committed to stabilising the value of the dollar on the foreign exchanges.

"I think the dollar ideally should stabilise at current levels," he said. However, he added that the world economy needed more growth in Japan and Germany, as well as US deficit reduction to improve the prospects of bringing about stability. He said the dollar did not have much further to fall "without that being counterproductive."

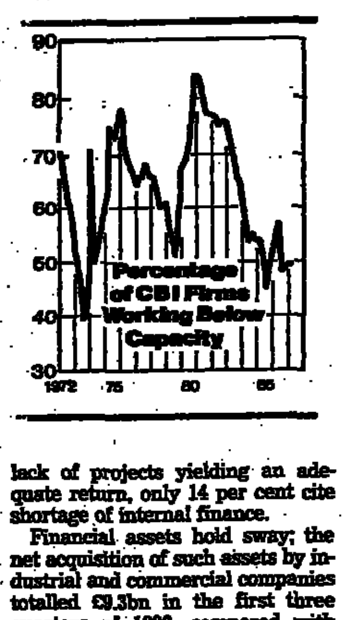
about $22bn of revenues including asset sales.

Mr Darman also made it clear that, at least since the February

THE LEX COLUMN

A capacity to contract

Every two years or so, it seems, the analyst's fancy turns to capacity constraint. This time the debate has been led by a Treasury economist, Simon Ward, who implicitly rebukes UK manufacturers for responding to more favourable trading conditions by raising prices (and profit margins) instead of expanding output.



It is true that the proportion of CBI companies working below capacity is creeping closer to the 1973 low of 39 per cent, but the 1986 figure still hovers 10 percentage points above that. No imminent overheating there. And the percentage of companies citing lack of capacity as a constraint on output remains at an unremarkable 15.

What is more, with manufacturing output still 6 per cent below its 1979 peak, and growing only sluggishly, a shortage of fixed capital seems improbable.

Utilisation

Mr Ward is not dismayed. He points out that the capital stock was run down substantially during the recession and subsequent new investment has not only been well below the 1979 level, it has also been barely sufficient to offset depreciation.

Because conventional depreciation assumptions take no account of scrapping, the manufacturing capital stock may now be more than 10 per cent below its 1979 level which suggests that utilisation levels – expressed through the output-capital ratio – are higher than at any time since the mid-1970s.

Perhaps the industrialists are not telling all they know or, alternatively, price increases have for the time being choked off rising pressure on existing capacity.

This brings us back to the old bogeyman, lack-of-manufacturing-investment or, increasingly, lack of capacity-expanding investment.

There is plenty of statistical and anecdotal evidence to support the shortfall contention, despite historically high profit margins and a quite respectable return on capital.

This caution may well have its psychological roots in the volatility of the 1970s and early 1980s which has left a deep scar across many an executive's back.

And what better to nourish risk-averse attitudes in cash-rich companies than a real interest rate slightly below 7 per cent; no wonder that while 43 per cent of CBI companies report that investment is limited by lack of projects yielding an adequate return, only 14 per cent cite shortage of internal finance.

Financial assets hold sway; the net acquisition of such assets by industrial and commercial companies totalled £9.3bn in the first three quarters of 1986, compared with £2.6bn in all 1985.

Successful companies have also been helping to depress the levels of new capital formation via the takeover – which often leads to higher levels of investment in the target company but rarely equals the cash reserves expended on the acquisition.

And in the multinational sector the improvement in the UK's return on capital may still look pallid compared with Germany or Italy, particularly if there is a currency advantage on the return journey.

Returns

A return of close to 15 per cent on new manufacturing investment is now clearly attainable in the UK if strong project management can be mustered, which should be enough to keep the cash out of the bank.

However, taking the average return of closer to 8 per cent the continuing caution is perhaps more understandable.

With average returns swerving around from 11.5 per cent in 1973 down to 3.5 per cent in 1987, bouncing back to 8.5 per cent in 1978 before hitting the all-time low of below 3 per cent in 1981, a longer-than-usual period of sunshine is clearly required to lure the rain-sodden picnickers out from under the trees.

It remains too early to judge the investment impact of the 1984 corporate tax reforms, although the CBI surveys indicate that they have had little success in dumping the labour-replacement motivation behind most expenditure. The reform-induced drop of 5 per cent in manufacturing investment last year was slightly worse than expected and Phillips & Drew calculates that projects will now have to earn an extra 1.5 to 2 percentage points to be viable.

However, the reforms have drawn attention to the irrational Treasury obsession with merely quantitative growth in the very specific category of gross fixed capital investment. Those equally significant investments in training, marketing or innovation have never been consistently subsidised and, alas, cannot easily qualify for their own section in Economic Trends. If they did, perhaps companies would feel less nervous about depressing revenues through such investments.

Quality

If output can be doubled by better management and higher labour productivity then the quality of fixed capital utilisation is just as important as its quantity.

After all, throughout most of the 1970s the quantity of gross manufacturing investment was consistently above current levels but almost every other indicator of corporate health was consistently lower.

Perhaps the instinctive hostility to takeovers outside the City of London would be lessened, too, if quality could be measured as easily as quantity.

None the less, the Treasury economist may have a point. There is a limit to the quality improvement in a fixed-capital stock and the latest CBI survey suggests that only 26 per cent of the new investment is planned to expand capacity.

Manufacturing capacity constraint could yet push both inflation and the current account deficit rather higher than expected for 1987, which would be only partially mitigated by the faster expansion of non-manufacturing investment.

Following delivery of the steady demand and effective devaluation which the business lobby has long demanded, it is now important that some of the optimistic guesstimates of the DTI and the Bank of England about investment for 1987 – including new capacity investment – are vindicated.

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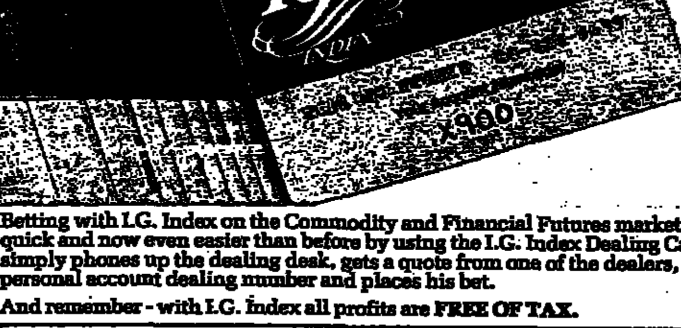

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SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Monday April 13 1987

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INTERNATIONAL BONDS

Dealers take no fright at plunge in dollar

A EUROBOND dealer's nightmare: a plummeting dollar, a US Treasury bond market apparently in free fall and a strengthening gold price, writes Clare Pearson in London.

It all came true at the end of last week when the dollar hit a new post-war low against the yen amid disillusion with official resolve to shore it up and the US Treasury bond market, taking fright at the inflationary implications of the falling currency, dropped to its lowest level for a year.

In reaction, Eurobond dealers marked prices savagely lower, in particular attacking the 10-year area in the rush to reduce exposure to the more volatile longer end of the market. Price losses at this maturity reached two full percentage points, while the shorter dated bonds lost between one and 1½ points in price.

Although all the ingredients of a dealer's idea of hell were there, the mood was strangely calm. The reason was that the debacle, which a year ago would have led to blood-bath, took no one by surprise.

The Eurobond market's adjustment to the flight of investors from the dollar sector has been in train for some months. Most dealers say they have been adopting a low profile and a flat book – an attitude that is miles apart from last year's enthusiasm for positioning.

This would have been impossible if the new issue market had been churning out quantities of dollar bonds but syndicate managers have been circumspect too and the supply from the primary market has been reduced to a trickle.

Last week the first significant new dollar straight bond in about a fortnight emerged: a $150m bond for the World Bank, fungible with an outstanding five-year bond launched in January.

The issue was priced at 99⅞ to give a yield of about 27 basis points over comparable US Treasury bonds when the fees were taken into account. This meant a slight pick-up in yield over the outstanding bond but enough to do the trick especially as the market was enjoying a brief moment of confidence at the time.

Dealers expect more of these fungible deals to emerge as borrowers take advantage of the narrowing of yield differentials in the secondary market that has occurred as price falls in Eurodollar bonds have lagged those in the US Treasury bond market.

The other significant Eurodollar deal last week – a $150m deal for the Japan Development Bank – also met an initial firm response. This was because its net yield margin over US Treasuries, which amounted to 60 basis points according to the lead-manager, looked generous for a Japanese Government-backed issue.

Both deals were trading at prices outside their fees by Friday afternoon but their yield differentials had tightened up substantially. The issue for Japan Development Bank was quoted at 98⅞ bid to yield 40 basis points more than comparable US Treasury bonds.

Many of the other sectors of the market were plunged into gloom in sympathy with the Eurodollar market but there was one notable exception: the Australian dollar sector, a strong favourite all this year buoyed by a firm currency and expectations of lower interest rates.

Apart from a slight setback towards the end of the week, Australian dollar bonds continued in strong demand from European investors. Dealers said that turnover recently has been three or four times higher than it used to be and extra personnel have had to be deployed to cope with it.

Almost all of the last week's deals met a firm response, although the zero coupon issues were in less demand. In particular, dealers regarded the A$200m deal for Eastman Kodak as both too large and too expensive.

EURONOTES AND CREDITS

Greece may return to market for $300m loan

GREECE IS expected to return to the syndicated loan markets in the next few days, in the guise of its central bank, to raise $300m in the largest credit it has raised since last spring, writes Stephen Fidler in London.

The deal could provide a useful benchmark for future sovereign credits in a market which bankers say is showing resistance to further declines in fees and interest margins.

Greece will certainly win finer terms than on its last big financing, a $375m loan priced at ¼ point over London interbank offered rates (Libor) for its eight-year life.

It seems certain that the loan, expected to have at least one US bank as an arranger, will be dominated by a ⅜ point spread. The main question is whether the lead banks will be confident enough to pare that to ½ point for some part of the maturity.

Portugal, which recently launched a two-part deal through Bank of Tokyo, Kredietbank and S.G. Warburg, seems to have proved that a sovereign borrower can bring a deal at the finest of terms and still succeed.

The $125m portion, for example, has been twice subscribed by 100 per cent and the committed banks can expect to be scaled down.

However, the attitude of lenders to the two borrowers is in strong contrast. Many Japanese banks, for example, are not keen on lending to Greece while the prepayment of certain facilities by Portugal has ensured a shortage of paper in the market.

In other sovereign credits, the $200m loan for Vneshtorgbank of the Soviet Union, which carried a ⅛ point spread over eight years, was signed last week. The Spanish central bank cut back on the commitments it would allow its savings banks to make and arranger First Chicago said its final take was increased to $25m from its preferred $15m to account for this.

Burton, the UK clothing retailer, is raising up to £400m through a five-year multi-option facility, to replace all its existing committed lines of credit.

The multi-currency financing, including sterling and US dollar bankers acceptances, is being arranged through Credit Suisse First Boston. Some £250m of the facility will be committed.

The committed part will be split into an available portion, initially £100m, at 10 basis points over Libor plus reserve assets costs and an unavailable portion of £150m. The facility fee is 6.25 basis points on the available part and four basis points on the unavailable, for which 60 days notice (or a five basis point payment) is required for drawings.

Mortgage Funding Corporation, a UK house finance joint venture of Allied Dunbar and the Mortgage Trust subsidiary of Scandinavian Bank, has mandated Samuel Montagu to arrange a £150m financing facility.

The standby credit will have an initial five-year maturity with a borrowers' option to extend the maturity for a further two years. It carries a facility fee of 7½ basis points.

The annual interest margin is 15 basis points, with the borrower paying reserve asset costs, and a utilisation fee if more than half of the facility is drawn of an annual five basis points. The swing-line will be for £60m.

James Capel Bankers said the facility it arranged for the Australian transportation group TNT has been increased after oversubscription in syndication. The committed standby facility was boosted from $175m to $250m and the uncommitted Euro-note and Eurocommercial paper programme was expanded from $250m to $325m.

Chemical Bank International is arranging a $75m multi-option facility for Dennison Manufacturing, a US stationery maker.

EUROMARKET TURNOVER
Turnover ($m)

Primary Market	Straights	Conv	FRN	Other
US$	2,367.5	678.1	32.0	4,094.9
Prev	3,343.1	643.3	69.0	4,229.9
Other	4,053.4	8.2	–	316.5
Prev	4,057.5	494.4	130.0	314.8
Secondary Market				
US$	25,137.4	2,358.5	14,316.2	5,843.1
Prev	17,470.2	2,200.7	20,761.2	4,762.7
Other	21,172.9	862.5	4,768.2	18,341.5
Prev	24,874.3	902.4	3,590.5	15,395.4

	Cedel	Euroclear	Total
US$	16,976.7	37,840.6	54,816.8
Prev	13,951.7	39,697.4	53,649.1
Other	17,427.6	32,093.6	49,521.2
Prev	17,806.2	32,450.2	50,256.4

Week to April 9 1987 — Source: AIBD

The facility fee is 10 basis points and drawings under the credit will be at 15 basis points over Libor. On utilisation of over 50 per cent, there will be a five basis point fee payable, and banks are invited to join at $10m for a fee of eight basis points.

Intel and AMD lift earnings

By Louise Kehoe in San Francisco

INTEL and Advanced Micro Devices, two of the largest US semiconductor producers, have turned in greatly improved results for their latest reporting period.

For the first quarter of 1987, Intel has made its first profit for six consecutive quarters while AMD has confirmed the improving trading background with a sharply reduced loss for its final 1986-87 quarter.

Intel's revenues for the quarter rose 40 per cent to total $395m. Net income was $26m or 21 cents per share compared to a net loss of $22m or 19 cents per share a year ago.

Included in this year's first quarter income is a $17m pre-tax gain from the sale of building. The quarter's net income also includes a $6m tax credit. Pre-tax operating income for the quarter was $8.5m compared with a pre-tax operating loss of $36.5m in the same quarter last year.

ADM's losses for its fourth fiscal quarter were $3.3m or 6 cents per share on sales of $170m compared with losses of $11.4m or 20 cents per share on sales of $153m in the same quarter last year.

For the fiscal year, which ended on March 29, AMD had sales of $632m, up 9.7 per cent from the previous year's sales of $576m and losses of $95.9m or $1.66 per share.

Von Roll to sell US stake

VON ROLL, the Swiss steel company, is to sell a 40 per cent stake in its New Jersey Steel subsidiary which specialises in steel products used in cement construction.

Von Roll is to offer 1.8m shares at between $20 and $22 a share. New Jersey Steel will boost its capital base by 1m shares in the process and the parent will offer 800,000 of shares in the company to raise about $36m.

Standard Electrica to sell defence unit

BY DAVID WHITE IN MADRID

A COMPROMISE agreement was reached at the weekend after six months of negotiations on the future of Spain's main telecommunications supplier Standard Electrica, a former ITT offshoot now controlled by the French-led joint venture Alcatel.

As part of the settlement, a go-ahead has been given to negotiate the sale of Standard's defence electronics subsidiary Marconi Espanola to Sweden's Ericsson group. Alcatel had made clear it was not prepared to pump more capital into Marconi.

The agreement signed in the early hours of Saturday between representatives of Alcatel and Standard, the Spanish administration, the UGT trade union and the minority shareholder Compania Telefonica Nacional de Espana, commits Telefonica to ploughing in its share of fresh capital into Standard and to stepping up its equipment purchases.

Initially, Telefonica wanted to withdraw its shareholding of just less than 21 per cent in Standard and to take a direct holding in the new European venture formed last year between France's Compagnie Généralé D'Electricité (CGE) and ITT. However, its negotiations on a stake in the CGE-ITT venture broke down.

Cuts of some 4,100 jobs, almost a third of Standard's workforce, are foreseen between now and 1991 through retirement at 55 and voluntary departures. This was a compromise between the 5,800 redundancies sought by the French and US owners and the 3,000 originally proposed by the Spanish authorities.

In exchange for its concession on voluntary redundancies, the UGT won a generous pay agreement averaging 6 per cent for this year with increases above the inflation rate in the next two years.

Standard, which lost Pta 5.95bn ($46.5m) last year on sales of Pta 58.5bn, is to receive Pta 17.72bn in new capital from Alcatel and Telefonica and an outright government grant of Pta 3.8bn in 1988 and 1989.

Benedetti group plans FFr 1bn share placing

BY STEPHEN FIDLER IN LONDON

CERUS, the Benedetti group's holding company in France, is selling 1.25m new shares in a worldwide share placing to raise nearly FFr 1bn ($166m).

The offering will be the first global share sale by a French company, with one prospectus being used both inside and outside France. French companies have made previous international share offerings, but in two parts with separate prospectuses.

The offer will increase the company's capital to about FFr 4.5bn, and increase the actively traded proportion of its shares. Prior to the offering, all but about 20 per cent of its shares were tightly held.

After the issue, the Benedetti group will hold 34 per cent of Cerus.

The shares will be priced at FFr 825, a discount of 3.8 per cent to the close on the Paris bourse last Wednesday, the price-fixing date. Cerus shares closed on Friday dat FFr 895.

The offering is being managed by Banque Nationale de Paris and Shearson Lehman Brothers International.

Fees for the deal total 3.9 per cent, the usual structure for international equity offerings. There is a 0.9 per cent management fee, 1 per cent underwriting fee and 2 per cent selling concession.

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INTERNATIONAL CAPITAL MARKETS

UK GILTS

Little logic behind sharp sell-off on Friday

FRIDAY'S sharp sell-off of UK Government bonds in apparent sympathy with the *dramatic collapse of* US Treasuries seems to have little logic behind it.

It is understandable that market-makers marked prices down in a defensive, short-term *fit of nerves* given the hysteria in US markets which greeted the reaffirmation of the Paris Accord on currencies in Washington and the subsequent fall in the dollar to yet another record low against the yen.

These are certainly uncertain times and the International Monetary Fund's latest report on the world economy did not make happy reading and central bank intervention has yet *again proved to* be an ineffective tool in isolation.

Although no understanding on interest rate policy appeared to have been reached in Washington, the turbulence of foreign exchange markets fuelled talk of interest rate moves as a buttress to the policy of stabilising currencies.

The US Treasury bond market was certainly reacting on fears of more inflation if the *dollar's fall is not arrested* and of higher interest rates in case these have to be used to buttress the exchange rate.

There is a difference between short-term and long-term interes rates. The US Federal Reserve is unlikely to want to raise official interest rates in the face of still-sluggish economic growth and the burdensome problem of world indebtedness.

But a shift in long bond yields could work its own miracle in ensuring the all-important capital inflows from Japan. The autonomous upword move in bond yields last week provide exactly the kind of wider interest rate differential needed in theory to bolster demand bor bonds.

Although the gilt market is sensitive to the size of yield differentials between UK and *US bonds—and the differential* is historically at a low level particularly after last week's upward shift in US yields—current problems of confidence are clearly bilateral and highly coloured by trade frictions between the US and Japan.

There is no reason why this should adversely affect Japan's appetite for gilts (unless there becomes an emotional reticence to invest against a background of the embryonic trade row between Britain and Japan).

Britain does not share any of the problems which are curretnly facing the US. Inflation fears are currently at a low ebb and there is a great measure of market confidence in the authorities' determination to keep sterling firm. Yields on gilts still look reasonably attractive.

On the other side of the interest rate coin is the possibility of lower rates in Japan and West Germany. Again, it may fall to market interest rates to perform the necessary adjustments. Official interest rates in both countries are *already at historically low* levels but the two governments may try to be flexible enough to allow market rates to ease lower. This, too, can do no harm to gilts.

It seems likely that gilts will get over Friday's apparent nod to the "special relationship" and decouple from a close adherence to the US Treasury market.

The next obvious hurdle for *markets will be tomorrow's* (Tuesday) US trade figures but, in a rational world, it should be US securities and the dollar which suffer if these are bad.

Overall, the gilt market still has to operate within a framework of political uncertainty and the perennial questions about the timing of the election. The 9 per cent yield level remains a large psychological obstacle.

The *event of the week should* be the publication by the Bank of England of its final word on experimental gilt auctions, expected imminently. Word was out on Friday that there has been something of a compromise on this matter which leaves the whole exercise looking a bit half-hearted.

The widely expected trade-off between a commitment to underwrite auctions by market-*makers and some kind of* inducement either in terms of a commission or other special privileges seems to have been dropped, apparently at the bequest of the Treasury which didn't want to pay out more than it needed to fund the borrowing requirement.

Janet Bush

US MONEY AND CREDIT

Back to life with a vengeance

US CREDIT markets, which have been as interesting as paint drying for the best part of a year, have come to life with a vengeance.

Every sector of the fixed-interest market fell sharply last week. Prices of 30-year Treasuries fell four points to end the week yielding more than 8 per cent for the first time in over a year. The municipal and corporate markets fared quite as badly, average mortgage rates are climbing and another prime rate increase this week will be no great surprise.

The cause of the fall was the plunge in the dollar, which reached a post-war low in terms of the Japanese yen, ending the week three yen down at little better than Y143.

The dollar's career *this* week followed a pattern which is becoming familiar. A meeting of Group of Seven finance ministers in Washington on Wednesday merely repeated the sentiments of the February meeting in Paris. The market has come to take such bland statements as invitations to sell dollars.

Mr James Baker, the US Treasury Secretary, compounded matters by saying that the dollar's decline had been relatively orderly. By the end of the week, and despite intervention by central banks, the dollar's fall had become decidedly disorderly.

The fixed-interest markets have survived such bouts of dollar weakness earlier this year. But that was before the Administration in Washington announced its sanctions on computer chip imports and focussed the bond market's mind back on the trade deficit.

With the dollar falling like a stone, the old talk of a discount rate cut to stimulate the US economy has gone out of the window and been replaced by fears of inflation or capital flight. "Over the last two weeks, there has been a fundamental change in bond-market psychology," says Mr David Jones, a money market analyst with Aubrey Lanston.

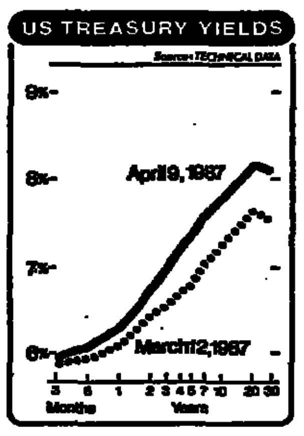
Mr Paul Volcker, the chairman of the Federal Reserve, seemed to suggest last week that he did not share Mr Baker's calmness about the dollar. "The performance of the dollar in the exchange markets might become a factor bearing on provision of reserves," he told the Senate Banking Committee. From Wednesday morning onwards, bond yields were moving up in expectation that the Fed would act to raise interest rates.

Whether the Fed will do as the market fears and expects is another matter. The Fed's open market operations on Friday were interpreted in a pessimistic light. The $1bn in customer repurchase argeements arranged was regarded as a rather small injection of liquidity and Fed Funds started inching up. "Mr Volcker is not exactly tapping the brake," said *Mr Bob Brusca of Nikko* Securities. "He's sticking his foot out of the car to cause some friction."

For all the talk of inflation, Friday's data on producer prices was less than alarming. The index of producer prices for finished goods rose 0.4 per cent last month, which was well in line with expectations. This suggests no more than that inflation is returning to the level of 4 per cent or so which ruled before the collapse in oil prices. Inflation at *that* level would scarcely justify last week's sharp increase in the price of gold futures, which are supposed to be clues to inflationary fears.

Equally, this week's statistics on housing starts, retail sales and industrial production are likely to show an economy growing only very slowly. "The reality of inflation is nothing to the psychology of inflation," says Mr Jones of Aubrey Lanston.

However, the market is likely to remain nervous about the need to protect the dollar. For Mr Brusca of Nikko, the extra value in US government bond rates over their Japanese counterparts—a yield differential of 400-odd basis points—should provide some stability in the foreign exchange markets. On his arithmetic, the dollar would have to fall under Y100 for a Japanese investor to lose out by going from domestic into US 10-year bonds.



But the market badly needs signs of an improvement in the trade deficit. This Tuesday's figures for merchandise trade go back as far as February, since the Commerce Department *has given up issuing preliminary* estimates, but a large deficit could still hit both long-maturity bonds and the dollar.

According to Money Market Services, of Redwood City, California, which surveyed market expectations on Friday, the median of some 36 estimates is for a deficit of $13bn, with the range extending from $11.5bn to $16bn. The January level was $14.8bn.

* * *

The following other statistics are due to be released this week. The median market expectations were surveyed by Money Market Services on Friday.

- March retail sales (due at 8.30 am on Tuesday). These *are* expected to be flat, with auto sales particularly sluggish, with the median of 36 estimates expected a 0.3 per cent increase. The estimates range from a decrease of 0.4 per cent to an increase of 1.7 per cent.
- March industrial production (due at 9.15 am on Wednesday). With manufacturing employment down and auto assembly slow, output is expected to have declined somewhat in the month of March. The median of 38 estimates is for a drop of 0.1 per cent. The range extends from a decline of 0.5 per cent to an increase of 0.6 per cent.
- March housing starts (due 8.30 am on Thursday). The level of housing starts is expected to be modestly down on February, with a median of 39 *estimates* at 1.77m *units*. The estimates extend from 1.65m to 1.9m.

James Buchan

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	—12-month— High	Low
Fed Funds (weekly average)	6.29	6.17	6.20	11.34	5.71
Three-month Treasury bills	5.82	5.58	5.42	6.52	5.01
Six-month Treasury bills	5.96	5.72	5.41	6.56	5.06
Three-month prime CDs	6.55	6.25	6.20	6.95	5.46
30-day Commercial Paper	6.38	6.18	6.18	7.70	5.55
90-day Commercial Paper	6.35	6.18	6.10	6.88	5.45

US BOND PRICES AND YIELDS (%)

	Last Friday	Change on wk	Yield	1 week ago	4 wks ago
Seven-year Treasury	95⅞	−2¼	7.77	7.35	7.08
20-year Treasury	110¾	−3½	8.29	7.96	7.63
30-year Treasury	92½	−3⅝	8.16	7.87	7.50
New 10-year "A" Financial	n/a	n/a	9.00	8.30	7.95
New "AA" Long utility	n/a	n/a	9.25	8.90	8.60
New "A" Long Industrial	n/a	n/a	9.25	8.90	8.55

Source: Salomon Bros (estimates).

Money Supply: In the week ended March 30 M1 fell by $2bn to $738.9bn.

NRI TOKYO BOND INDEX

December 1983 = 100	9/4/87	PERFORMANCE INDEX Average yield (%)	Last week	12 wks ago	26 wks ago
Overall	139.11	3.99	138.54	132.06	128.86
Government Bonds	141.11	3.52	140.32	133.53	129.81
Municipal Bonds	139.07	4.59	138.76	133.51	128.78
Government-guaranteed Bonds	139.97	4.64	139.67	134.36	129.18
Bank Debentures	133.49	3.69	133.03	129.20	125.64
Corporate Bonds	136.72	5.11	136.72	131.58	127.91
Yen-denominated Foreign Bonds	137.65	6.16	137.47	133.88	130.05
Government 10-year†	—	4.39	4.62	5.30	5.63

† Estimated par yield.

Source: Nomura Research Institute.

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS · YEN STRAIGHTS · OTHER STRAIGHTS · FLOATING RATE NOTES · CANADIAN DOLLAR STRAIGHTS · ECU STRAIGHTS · AUSTRALIAN DOLLAR STRAIGHTS · STERLING STRAIGHTS · CONVERTIBLE BONDS · EQUITY WARRANTS · BOND WARRANTS

Issue	Issued	Bid price	Chg on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions. FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=current coupon. CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price. WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price. Closing prices on April 10.

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Kingdom of Sweden

U.S.$250,000,000

7% Notes Due 1992

MORGAN GUARANTY LTD

BANK OF TOKYO INTERNATIONAL LIMITED — BANKERS TRUST INTERNATIONAL LIMITED

BANQUE BRUXELLES LAMBERT S.A. — BANQUE PARIBAS CAPITAL MARKETS LIMITED

CITICORP INVESTMENT BANK LIMITED — CREDIT SUISSE FIRST BOSTON LIMITED

DEUTSCHE BANK CAPITAL MARKETS LIMITED — ENSKILDA SECURITIES SKANDINAVISKA ENSKILDA LIMITED

GOLDMAN SACHS INTERNATIONAL CORP. — MERRILL LYNCH CAPITAL MARKETS

MORGAN STANLEY INTERNATIONAL — NOMURA INTERNATIONAL LIMITED

SALOMON BROTHERS INTERNATIONAL LIMITED — SHEARSON LEHMAN BROTHERS INTERNATIONAL

SVENSKA HANDELSBANKEN GROUP — SWISS BANK CORPORATION INTERNATIONAL LIMITED

UNION BANK OF SWITZERLAND (SECURITIES) LIMITED — S.G. WARBURG SECURITIES

12th February, 1987 — *All of these securities have been sold. This announcement appears as a matter of record only.*

هكذا من الأصل

BANK IN LIECHTENSTEIN AG
VADUZ
(Incorporated with limited liability in Liechtenstein)

Placement of
110,000 Bearer Participation Certificates of
Sfr. 100 par value each

co-ordinated by
Swiss Bank Corporation International Limited

International Tranche

Swiss Bank Corporation International Limited — Deutsche Bank Aktiengesellschaft

Banque Bruxelles Lambert S.A. — Banque Paribas Capital Markets Limited
James Capel & Co. — Creditanstalt-Bankverein
EBC Amro Bank Limited — Enskilda Securities
Nomura International Limited — Salomon Brothers International Limited
Sige S.P.A. — S.G. Warburg Securities

Swiss Tranche

Schweizerischer Bankverein

Schweizerische Bankgesellschaft — Schweizerische Kreditanstalt
Bank Leu AG — Schweizerische Volksbank
Zürcher Kantonalbank — Bank Julius Bär & Co. AG
Bank J. Vontobel & Co. AG — Lombard, Odier & Cie
Herren Pictet & Cie — United Overseas Bank
Banca della Svizzera Italiana — Banca del Gottardo
BZ Bank Zürich Aktiengesellschaft — Compagnie de Banque et d'Investissements, CBI
HandelsBank N.W. — J. Henry Schroder Bank AG

New Issue — This announcement appears as a matter of record only. — March, 1987

IBM
Credit Corporation

IBM Credit Corporation
(Incorporated with limited liability in the State of Delaware, USA.)

U.S.$300,000,000

6¾% Notes Due April 7, 1990

Swiss Bank Corporation International Limited
Credit Suisse First Boston Limited — Merrill Lynch Capital Markets
Morgan Guaranty Ltd — Nomura International Limited
Salomon Brothers International Limited — Union Bank of Switzerland (Securities) Limited

Algemene Bank Nederland N.V. — Banque Bruxelles Lambert S.A.
Banque Nationale de Paris — Banque Paribas Capital Markets Limited
County NatWest Capital Markets Limited — Crédit Lyonnais
Daiwa Europe Limited — Deutsche Bank Capital Markets Limited
Dresdner Bank Aktiengesellschaft — Goldman Sachs International Corp.
LTCB International Limited — Mitsubishi Finance International Limited
Mitsubishi Trust International Limited — Swiss Volksbank

Julius Baer International Limited — Banca del Gottardo
Banca della Svizzera Italiana — Bank in Liechtenstein AG
Bank J. Vontobel & Co. AG — Banque Scandinave en Suisse
Compagnie de Banque et d'Investissements, CBI — Darier & Cie
Ferrier Lullin & Cie S.A. — HandelsBank N.W. (Overseas) Ltd.
Leu Securities Limited — Pictet International Ltd.
Sarasin International Securities Limited — Swiss Cantonalbanks
Unigestion SA, Geneva

New Issue — This announcement appears as a matter of record only. — April, 1987

Norges Kommunalbank
(Incorporated in the Kingdom of Norway)

U.S.$100,000,000
7⅞ per cent. Guaranteed Bonds Due 1997

unconditionally and irrevocably guaranteed
by
The Kingdom of Norway

Swiss Bank Corporation International Limited
Bankers Trust International Limited — Merrill Lynch Capital Markets
ABC Union Bank of Norway

Algemene Bank Nederland N.V. — Banque Bruxelles Lambert S.A.
Banque Nationale de Paris — Baring Brothers & Co., Limited
Berliner Handels- und Frankfurter Bank — Daiwa Europe Limited
Kuwait Investment Company (S.A.K.) — LTCB International Limited
Mitsui Trust International Limited — The National Commercial Bank (Saudi Arabia)
Den norske Creditbank Group — Smith Barney, Harris Upham & Co. Incorporated
Swiss Volksbank — Westdeutsche Landesbank Girozentrale

Julius Baer International Limited — Banca del Gottardo
Bank Gutzwiller, Kurz, Bungener (Overseas) Limited — Compagnie de Banque et d'Investissements, CBI
HandelsBank N.W. (Overseas) Ltd. — Leu Securities Limited

New Issue — This announcement appears as a matter of record only. — April, 1987

National Australia Bank

National Australia Bank Limited
(Incorporated with limited liability in the State of Victoria)

International Offering
of
17,000,000 Ordinary Shares of A$1 each
Offer Price A$ 5.24 per share

Swiss Bank Corporation International Limited
Wood Gundy Inc. — Algemene Bank Nederland N.V.
Banca Commerciale Italiana — Crédit Commercial de France
Credit Suisse First Boston Limited — Dresdner Bank Aktiengesellschaft
Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft — A. C. Goode & Co.
Kredietbank N.V. — N. M. Rothschild & Sons Limited
Shearson Lehman Brothers International — Swiss Volksbank
S. G. Warburg Securities

United Kingdom
Swiss Bank Corporation International Limited — A. C. Goode & Co.
N. M. Rothschild & Sons Limited — S. G. Warburg Securities

Austria
Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft

Belgium and Luxembourg
Kredietbank N.V.

Canada
Wood Gundy Inc.

France
Crédit Commercial de France
Banque Indosuez — Banque Paribas Capital Markets Limited
Société Générale

Federal Republic of Germany
Dresdner Bank Aktiengesellschaft
Deutsche Bank AG — Commerzbank Aktiengesellschaft
Vereins-und Westbank Aktiengesellschaft — Baden-Württembergische Bank A.G.
Bank für Gemeinwirtschaft Aktiengesellschaft — Bankhaus Reuschel & Co
Georg Hauck & Sohn Bankiers KGaA — Hessische Landesbank – Girozentrale
Norddeutsche Landesbank Girozentrale — Trinkhaus & Burkhardt

Italy
Banca Commerciale Italiana
Banca Nazionale del Lavoro — Istituto Bancario San Paolo de Torino
Nuovo Banco Ambrosiano

The Netherlands
Algemene Bank Nederland N.V.

Switzerland
Swiss Bank Corporation International Limited — Credit Suisse First Boston Limited
Swiss Volksbank
Banca del Gottardo — Banca della Svizzera Italiana
Bank Julius Baer & Co. AG — Bank J. Vontobel & Co. AG
Compagnie de Banque et d'Investissements, CBI — HandelsBank N.W. (Overseas) Ltd.
Lombard Odier International Underwriters S.A. — Pictet & Cie
Rothschild Bank AG — Sarasin International Securities Limited
Unigestion SA, Geneva

Other Countries
Swiss Bank Corporation International Limited — Shearson Lehman Brothers International

New Issue — This announcement appears as a matter of record only. — March, 1987

Swiss Bank Corporation International Limited

INTL. COMPANIES AND FINANCE

Lehrer McGovern Bovis wins £1bn Paris Disneyland deal

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT, IN LONDON

LEHRER McGovern Bovis, Bovis' joint company with Lehrer McGovern, the US contractor which refurbished the Statue of Liberty, has won the contract to manage the construction of the £1bn ($1.6bn) Magic Kingdom entertainment complex which will form the heart of the European Disneyland to be built outside Paris.

Eurodisneyland will be the second Disneyland built outside the US after Tokyo and is the largest construction project in France.

The whole complex will cover a total of 4,500 hectares and require an investment of £5bn.

The Magic Kingdom will occupy 500 hectares at the centre of the site. To give a fully French flavour, sections will be devoted to French history and literature.

No French contractors are yet involved in the Disney project, although they are expected to be awarded much of the actual building work in the Magic Kingdom. They will also be developing many of the hotels, houses and holiday facilities around the central complex.

Lehrer McGovern Bovis won the Magic Kingdom contract in competition with major US companies, including a shortlist of Bechtel, Parsons and Morrison Knudson.

Disney chose Lehrer McGovern Bovis as its overall construction manager because it met its brief of a major US-influenced company which understood its way of working.

Lehrer McGovern Bovis will now be working with Disney – and particularly with Disney Imagineering – in Paris and Los Angeles on the final design of the Magic Kingdom, including details of the park and rides.

Their work as construction managers will also include dividing up the mammoth project into manageable contracts and awarding them on behalf of Disney. They will oversee these projects.

The Magic Kingdom is expected to be divided into some 60 separate construction contracts from the roads and sewers to the rides themselves. These will be put out to competitive tender.

Many of these contracts are expected to be awarded to French construction companies, with most of the majors being involved.

Building will start early in 1988 for the park to be opened in 1992.

The project will involve spending at a rate of up to £300m a year and will employ a peak of 10,000 workers on the site.

Wang and Alcatel seek growth in UK market

BY DAVID THOMAS IN LONDON

WANG Laboratories, the US computer group, is discussing a deal with Alcatel, the telecommunications subsidiary of CGE of France, which could help boost Alcatel's presence in the UK market.

This is one of a number of moves being made by Alcatel, which recently took over the telecommunications interests of ITT to become the world's second largest telecommunications equipment maker, to boost its presence in the UK.

Alcatel sells office equipment in the UK through Roneo Alcatel, which it acquired in 1980, and distributes phone systems of up to 16 extensions for small companies through Blick International, a marketing and distribution company.

Alcatel has told both Blick and Ronel Alcatel that it intends to sell both higher volumes and new types of products in the UK.

Alcatel is planning to launch a private telecommunications exchange of up to 128 extensions in the UK later this year. Until now Alcatel has not offered a private exchange of this size in the UK.

In order to boost its sales in the UK, Roneo Alcatel bought STC Data Systems this month from STC, the UK electronics group.

STC Data Systems, which has annual sales of £20m ($32M) and 160 employees, already distributes computing products made by other divisions of Alcatel in Europe and the US.

Mr Arend Vleggaert, Wang vice-president for Europe , disclosed that Wang and Alcatel were discussing an agreement under which Wang would recommend Alcatel private exchanges to any of its European customers seeking advice on telecommunications.

Swedyards hit by Consafe provisions

By Sara Webb in Stockholm

SWEDYARDS, the Swedish state-owned shipbuilding and engineering group, reported a loss (after financial items) of SKr179m ($28m) in 1986, compared with a profit of SKr41m the previous year, after making provisions for its involvement in Consafe, the Swedish offshore services group which went bankrupt over a year ago.

However, profit before provisions and taxes reached SKr60m due chiefly to the sale of property and companies worth SKr 287m. In 1985, Swedyards made a loss of SKr519m before provisions and taxes because of extraordinary costs connected with the closure of the merchant shipbuilding operations at Kockums and job cuts.

The group has tried to develop business in the energy and power field in the meantime and its newly-formed Kockums Marine Company is involved in underwater technology and engineering.

Invoiced turnover showed a 20.5 per cent increase to SKr 8.42bn, compared with SKr 6.985bn the previous year, by several large orders.

Navistar sells 14% holding in Daf Trucks

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

NAVISTAR, the former International Harvester group of the US, has finally disposed of its remaining shares in Daf Trucks as part of the restructuring of the Netherlands company.

The changes follow Daf's acquisition of Leyland Trucks and Freight Rover from the state-owned Rover Group of the UK.

Navistar acquired the Daf shares in 1975 but sold most of them in 1983 when the US group ran into severe financial difficulties and decided to withdraw from the European truck market where it also owned Enasa in Spain and Seddon Atkinson in Britain.

Now Navistar's remaining 14.6 per cent stake in Daf has been acquired by members of the van Doorne family, which founded the Daf compay; Infifon IV, an investment company controlled by a group of private investors in the Netherlands; and the Amsterdam-Rotterdam Bank.

They are among the shareholders in a new company Daf Beheer, set up to hold 60 per cent of the enlarged Daf organisation. The remaining 40 per cent is owned by Rover.

Shareholders in Daf Beheer are: Vado, the van Doorne family holding company (37.5 per cent), DSM, the Dutch state-owned chemicals and energy group (25 per cent), the van Doorne family (6.5) per cent), Infifon (5 per cent), and Amsterdam-Rotterdam Bank (2.56 per cent).

The new Daf organisation has its headquarters in Eindhoven and controls four operating subsidiaries: van Doorne's Bedrijfswagenfabriek Daf; Leyland Dafi Daf Finance and Daf Special Products.

Daf's commercial vehicle activities outside Britain continue to be organised in the operating company Bedrijfswagenfabriek Daf. In Britain, a new company, Leyland Daf, has taken over the activities of Daf in the UK as well as the assets and liabilities of Leyland Vehicles, Freight Rover and Daf Trucks (GB).

Suez takes Accor stake

BY PAUL BETTS IN PARIS

SUEZ, the French state owned financial group, is planning to take a stake in Accor, the leading French hotel and restaurant group which includes the Sofitel and Novotel hotel chains.

The Suez group will acquire the 10 per cent stake through a capital increase by Accor. The entry of Suez as a major shareholders is part of a defensive move by Accor to protect itself from hostile takeover bids.

Accor has long been seen as a potential takeover target especially since recent performance has put it in the limelight on the French bourse. It increased profits by 32 per cent to FFr 235.6m last year on sales up by 11 per cent at FFr 13bn.

The hotel group feels the need to protect itself from a possible hostile raid by putting together a group of friendly hard-core investors led by Suez.

With 10 per cent, Suez will become the single largest shareholder.

Ford in mortgage takeover

BY WILLIAM HALL IN NEW YORK

FORD MOTOR is continuing its aggressive expansion into the financial services industry and has agreed to buy PMI Mortgage Insurance, the fourth biggest mortgage insurer in the US, from a subsidiary of Sears Roebuck, the US retailing and financial services conglomerate.

PMI Mortgage Insurance is headquartered in San Francisco and provides mortgage guarantee insurance that insures lenders and investors against defaults on residential mortgages. Mortgage insurance helps to assure that sufficient mortgage funds are available to housing buyers and the PMI companies presently insure over $22bn of mortgages.

MGIC is the biggest company in the industry followed by GEMIC, part of General Electric, and Verix which is owned by Greyhound. PMI has assets of $400m, employs 400 people and operates in 22 states. Ford declined to disclose the price it is paying for PMI

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yield %
U.S. DOLLARS							
Kansallis-Osake-P. ¶‡	100	1994	7	4⅝	100	Morgan Stanley	4.625
Idec Izumi Corp. ¶‡	35	1992	5	2⅜	100	Daiwa Europe	2.375
Bank of Tokyo §‡	100	2002	15	1¾	100	Bank of Tokyo Int.	1.750
Kalkenshin Real Est. ¶‡	25	1992	5	2⅛	100	Daiwa Europe	2.125
Tokyo Optical Co. ¶‡	40	1992	5	2⅛	100	Daiwa Europe	2.125
Hokkaido T'shoku Bank §‡	100	2002	15	1¾	100	Yamaichi Int. (Eur)	1.750
Toyo Trust & Banking §‡	100	2002	15	1¾	100	Toyo Trust Int.	1.750
Atari Corp. §‡	75	2002	15	5¼	100	PaineWebber Int.	5.250
Ranger Oil §‡	75	2002	15	8½	100	CSFB	8.500
World Bank ‡	150	1992	5	7	99⅞	CSFB	7.031
Colombia (b) †‡	50	1994	7	1⅛	100	Citicorp. Inv. Bank	–
Brierley Inv. O'seas ‡	100	1992	5	8¼	100	Bqe. Paribas	8.250
Zenchiku Co. ¶	40	1992	5	(2¼)	100	Daiwa Europe	*
Showa Aluminium ¶	100	1992	5	(2⅛)	100	Nomura Int.	*
Nippon Shokubai KK ¶	80	1992	5	(2⅛)	100	Nomura Int.	*
Sharp Corp. ¶	200	1992	5	2	100	Nomura Int.	*
Fed. Realty Dev.Tst §‡	100	2002	15	5¼	100	Salomon Brothers	5.250
Toshiba Int. Fin. ‡	40	1992	5	7⅞	101½	Nomura Int.	7.009
Hokuriku Elect. Ind. ¶	35	1992	5	(2⅛)	100	Nomura Int.	*
Saitama Bank §	100	2002	15	(2)	100	Saitama Bank (Eur)	*
Xyvision Inc §‡	25	2002	15	6	100	CSFB	6.000
Sankei B'ldng Co. ¶	60	1992	5	(2⅛)	100	Nomura Int.	*
Japan Dev. Bk. ‡	150	1994	7	8	101⅛	Bk. of Tokyo Int.	7.786
Sekisui Chemical ¶	200	1992	5	(2)	100	Yamaichi Int. (Eur)	*
IRT Property Co. §‡	30	2002	15	2	100	Chandler Pinnership	2.010
AUSTRALIAN DOLLARS							
Australian Ind. Dev. Corp. ‡	30	1992	5	0	53½	Orion Royal Bank	13.326
Toronto-Dominion Bk. ‡	50	1990	3	14½	101⅜	Hambros Bank	13.909
Westpac B'king Corp. ‡	50	1990	3	14½	101¼	Deutsche Bk Cap. Mkts	13.962
Eastman Kodak ‡	200	1992	5	0	54⅜	Merrill Lynch	12.850
CIBC Australia ‡	125	1992	5	0	54.6	CIBC	13.115
St'dard Elektrik Lorenz ‡	40	1990	3	14¼	101½	CSFB	13.608
Berliner Bank‡	50	1990	3½	14⅛	101½	Bqe. Paribas	13.598
Vereinswest O'seas Fin. ‡	50	1991	4	14⅛	101½	Morgan Guaranty	13.614
Indosuez Australia ‡	50	1990	3	14½	101⅜	Warburg Securities	13.909
CANADIAN DOLLARS							
Mitsui Fin. Asia ‡	100	1992	5	8⅝	101¾	Chemical Bank Int.	8.186
Nat. Bk Mortgage Corp. ‡	100	1992	5	9	101¾	McLeod Young Weir	8.555
LUXEMBOURG FRANCS							
ESAB AB **‡	300	1991	4	7½	100	Kredietbank Int.	7.500
Asea Cap. Corp. **‡	300	1992	5	7⅜	100½	Skand. Enskilda Bkn.	7.252
SWISS FRANCS							
Bank of Tokyo **§‡	100	1992	–	⅞	100	SBC	0.877
Hokkaido T'shoku Bk. **§‡	100	1992	–	⅞	100	SBC	0.877
Nichiei Co. **§	100	1992	–	(1⅛)	*	Bqe. Paribas (Suisse)	*
SEC Corp. **‡	50	1992	–	4¾	100	IBJ (Switz.)	4.750
Malaysia **‡	125	1997	–	5¾	100.2	SBC	5.723
Saitama Bk. **§	100	1992	–	(1⅛)	100	Credit Suisse	*
Nafina ¶‡	250	1994	–	2	100	Credit Suisse	2.000
Tabuchi Elect. Co. **‡	30	1992	–	4¾	100	SBC	4.750
Thesing-Verwalt'schaft	10	1995	–	(6⅝)	(100)	Finatrelex	*
Belgium Φ**‡	100	1994	–	3⅜	100	Credit Suisse	3.375
Megal Fin. **‡	25	1990	–	4½	100¼	Credit Suisse	4.408
Megal Fin. **‡	35	1991	–	4⅝	100⅛	Credit Suisse	4.340
Megal Fin.**‡	20	1992	–	4½	100	Credit Suisse	4.500
Ford Motor Credit ‖‡	150	2002	–	(e)	100	UBS	–
STERLING							
Investors in Ind. (a)‡	50	1994	7	9⅜	101¼	Warburg Securities	9.125
Con'dated Goldfields §‡	110	2002	15	6¾	100	CSFB	6.750
Aetna Life ‡	30	1992	5	9¼	101⅛	Samuel Montagu	8.961
Genfinance Lux. ‡	50	1994	7	9⅜	101¼	Kleinwort Benson	9.082
British Airways ‡	100	1997	10	9½	101½	UBS (Secs)	9.264
Gillette Canada ‡	70	1993	6½	9⅝	101½	Morgan Stanley	9.285
ECUs							
Caisse Nat. A'routes ‡	120	1995	8	7⅝	101¾	Credit Lyonnais	7.081
LIRE							
Merrill Lynch ‡	50bn	1992	5	10	100½	Banca Comm. Italiana	9.869
GUILDERS							
EIB ‡	300	1995	8	6¼	100	Amro Bank	6.250
IFC **‡	52	1997	10	6.64	(d)	NMB Bank	–
YEN							
Kansai Elec. Power ‡	60bn	1994	7	4⅝	101	Nomura Int.	4.456
Dansk Naturgas ‡	10bn	1993	6	4⅝	101⅝	IBJ Int.	4.312
Province of Quebec ‡	30bn	1997	10	5	102½	Bank of Tokyo Int.	4.681
EIB ‡	40bn	1994	7	4⅝	101½	Nomura Int.	4.372
Credit Agricole ‡	25 bn	1992	5	4⅜	101¼	LTCB Int.	4.093

*Not yet priced. ‡ Final terms. ** Private placement. † Floating rate notes. ¶ With equity warrants. Φ With gold warrants. ‖ Currency-linked. § Convertible. (a) Additional £25m on tap. (b) 1⅛ over 6m Libor. (c) Linked to UK FRN due 1996 – issued in 1986. (d) Not disclosed. (e) 5½% first 7 years after which SwFrs 2,000 of each SwFrs 2,000 of each SwFrs 5,000 are redeemed. Remaining SwFrs 3,000 converted to US$ paying 7½% at fixed exchange rate of SwFrs 1.500. Note: Yields are calculated on AIBD basis.

This announcement appears as a matter of record only.

Compagnie Financière Michelin

U.S.$125,000,000

Revolving Credit Facility

Lead Managers

S.G. Warburg & Co. Ltd. Banque Paribas (London)

Co-Lead Managers

CIC-Union Européenne, International et Cie
London Branch

The Fuji Bank, Limited
Paris Branch

Managers

Crédit du Nord
London Branch

Swiss Bank Corporation The Tokai Bank, Limited

Participants

Al Saudi Banque
Banque Bruxelles Lambert S.A.
Banque de Neuflize, Schlumberger, Mallet
Deutsche Bank
Compagnie Financière Luxembourg

Amsterdam-Rotterdam Bank N.V.
Paris Branch
Banque Internationale à Luxembourg S.A.
London Branch
Bayerische Vereinsbank International
Société Anonyme
Republic National Bank of New York (France)

Agent

S.G. Warburg & Co. Ltd.

March 1987

EUROFIMA

Société européenne pour le financement de matériel ferroviaire

ECU150,000,000

7⅝% Notes due 1994

Morgan Guaranty Ltd

Bank of Tokyo International Limited
Banque Bruxelles Lambert S.A.
Credit Commercial de France
Swiss Bank Corporation International Limited
Algemene Bank Nederland N.V.
Banque Paribas Capital Markets Limited
Berliner Handels- und Frankfurter Bank
Credit Suisse First Boston Limited
Deutsche Bank Capital Markets Limited
EBC Amro Bank Limited
Generale Bank
IBJ International Limited
Istituto Bancario San Paolo di Torino
Merrill Lynch Capital Markets
Morgan Stanley International
Nomura International Limited
Societe Generale
Union Bank of Switzerland (Securities) Limited
S.G. Warburg Securities
Yamaichi International (Europe) Limited

10th February, 1987

All of these securities have been sold. This announcement appears as a matter of record only.

Do your lead banks also lead the way in Euro-commercial paper?

Bankers Trust does.

Bankers Trust has played a major role in many Euronote and Euro-commercial paper programs established for high quality corporate and sovereign issuers, such as Unilever, the Kingdom of Sweden, Oesterreichische Kontrollbank and Credit National.

If credit is about all you can expect from your lead banks, perhaps it's time to consider changing one of them.

To Bankers Trust.

With over $56 billion in assets, we can and do supply credit in all its many forms.

But through our potent combination of investment banking skills and commercial banking strengths, we provide our corporate clients with far more than credit.

Our skills extend to corporate finance, management buyouts, loan syndications and yes, to the Euro-commercial paper market through our London subsidiary, Bankers Trust International, Ltd. Our track record is second to none in actively dealing in the Euro-commercial paper and Euro-note programs which have accounted for the majority of total notes outstanding to date.

One reason why we lead the way: our enviable position of being an active participant on both sides of the market, acting for issuers and investors alike.

It's our wide range of services in so many areas that has helped make us a lead bank for so many corporations. That's because the financial needs of the modern corporation are complex and interrelated. Such needs almost invariably require cross-disciplinary skills on the part of a lead banker.

Among the many services Bankers Trust offers:

Swaps. Bankers Trust is a universally acknowledged market leader in the intricate world of currency and interest rate swaps. Our team of specialists in London, New York, Tokyo, Hong Kong and Toronto completes an average of five deals every day.

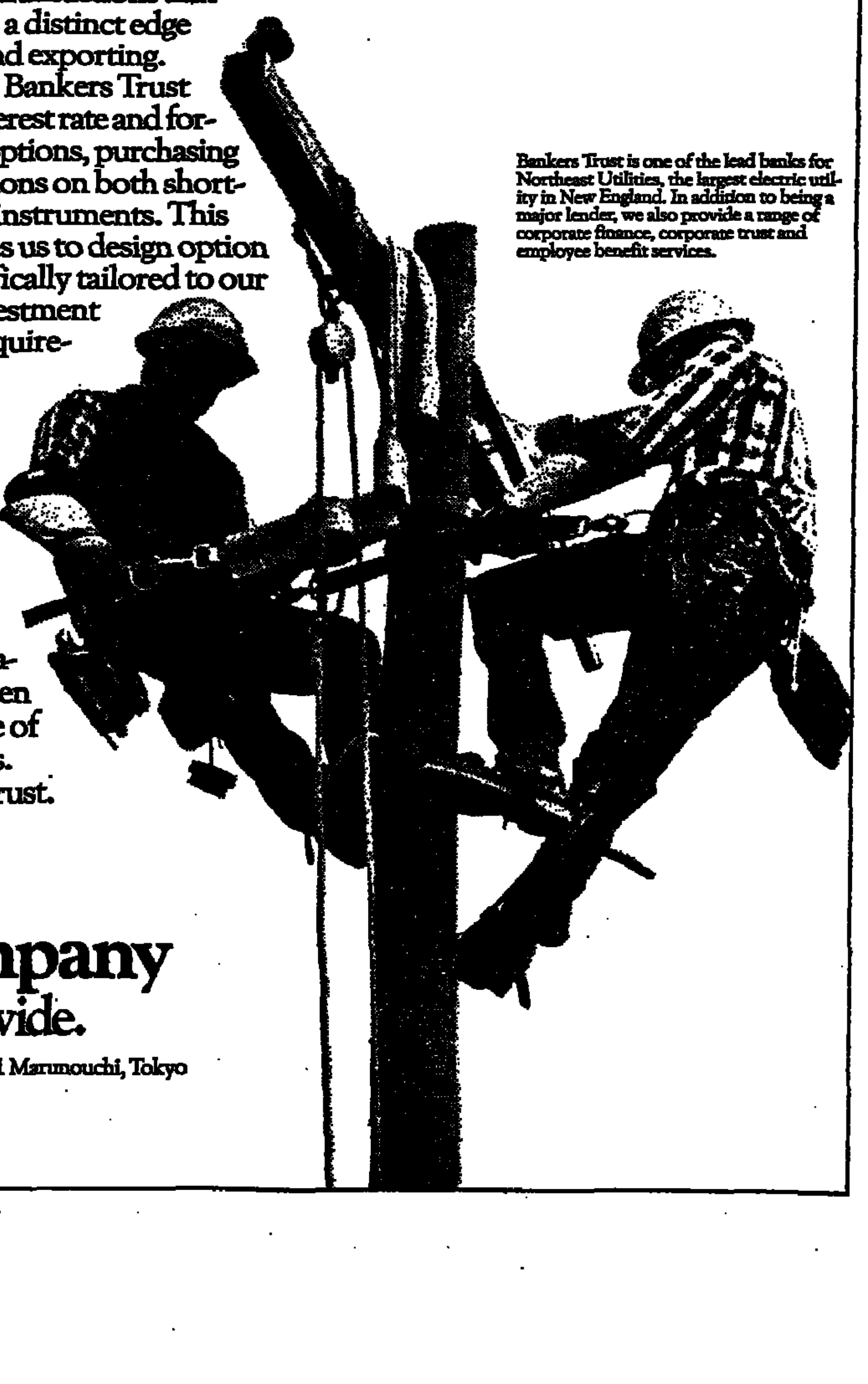
Corporate Trust and Agency. Over 2,000 corporate and other entities depend on Bankers Trust to service over $150 billion in securities. We are the largest fiscal and paying agent in the international debt markets.

Trade finance. Our knowledge of government export credit programs and our expertise in the capital markets enable us to structure innovative trade transactions that give our clients a distinct edge in importing and exporting.

Options. Bankers Trust is a leader in interest rate and foreign exchange options, purchasing and selling options on both short- and long-term instruments. This strength enables us to design option packages specifically tailored to our customers' investment or financing requirements.

Today, any lead bank worthy of its position should be able to deliver all of these services. Which is why so many corporations have chosen our bank as one of their lead banks.

Bankers Trust.



Bankers Trust is one of the lead banks for Northeast Utilities, the largest electric utility in New England. In addition to being a major lender, we also provide a range of corporate finance, corporate trust and employee benefit services.

Bankers Trust Company

Merchant banking, worldwide.

Dashwood House, 69 Old Broad Street, London Kishimoto Building, 2-1 Marunouchi, Tokyo

Williams says its offer for Norcros is final

BY ALICE RAWSTHORN

Williams Holdings, the industrial conglomerate, has declared its offer for Norcros, the building materials and printing group, to be final in order to obviate the risk of a prolonged bid battle.

"In our judgment both industry and the City are tired of long drawn out and increasingly acrimonious battles between companies," said Mr Brian McGowan, Williams' managing director.

"We have presented our best offer. We are sure that Norcros has put out it best defence. Shareholders now have all the necessary information and it is time for the market to make up its mind."

Williams dispatched a final offer document to Norcros' shareholders over the weekend. It states that its original bid of 29 Williams' shares for 50 of Norcros,' or a cash alternative of 400.2p a share, is final.

The offer of shares now values Norcros' ordinary shares at 455p each, compared with 436p when the stock market closed Friday.

Williams has also extended the original first closing date of its offer by two weeks until April 29, and has declared that date to be final. Given that takeover bids generally run for 60 days from the date of the original offer Williams has effectively brought its final closing date forward by four weeks. This should save the company an estimated £3m in underwriting fees.

Norcros published its defence against the bid on Wednesday. Yesterday Mr Ken Roberts, Norcros' chairman, criticised Williams' decision to declare the bid final as an attempt to "hassle" shareholders into acceptance.

"It is only three days since we issued our defence document," he said. "We have not had time to see all our major shareholders and present our case to them."

Norcros now intends to accelerate its programme of institutional presentations, and to circularise shareholders with further details of its performance in the last financial year to March 31, and with indications as to its prospects for the present year.

Pittard offer worth £24m

Pittard has published its offer document for Garnar Booth. The two leather companies have agreed terms of 17 Pittard shares for every 20 in Garnar, while the cash offer for the Garnar preference shares has been increased from 90p to 100p.

On the basis of Friday night's closing share prices of 243p for Garnar and 288p for Pittard the offer is worth around £24m.

A third leather company, Strong & Fisher, made an unwelcome bid for Garnar last year which was referred to the Monopolies Commission. Strong & Fisher abandoned its bid for Garner in February.

Jove Investment Trust, which owns 61.4 per cent of the Garnar preferenec shares, has irrevocably undertaken to accept the Pittard offer.

Wardle Storeys, the plastics sheeting and survival equipment group currently mounting a hostile bid for Chamberlain Phipps has agreed to purchase the coated fabric business of Weston Hyde Products.

Tyndall Holdings at £275,000

Tyndall Holdings made a profit of £275,000 for the four months ended December 31 1986. That does not reflect any contribution from the acquisitions of the Tyndall banking services companies and the Westavon Investment management businesses which have been consolidated with effect from December 31 1986.

The consolidated balance sheet will reflect the new group's financial position at that date.

After tax, earnings for the period were shown at 5.4p. For the previous 12 months ended August 31 1986 the profit was £354,000 and earnings 9.9p—these were restated.

Randsworth offer

Randsworth Trust's offer for London and Provincial Shop Centres (Holdings) has been declared unconditional following acceptances in respect of 12.94m shares (79.87 per cent), 28.63 per cent accepted the share offer and the rest the loan note and cash alternative. Randsworth now speaks for a total of 81.54 per cent.

Doeflex coming to market via placing

By Richard Tomkins

ONE OF Europe's biggest suppliers of vinyl to the record industry is expected to come to the stock market this month through a placing which will value it at about £10m.

Doeflex makes plastic sheet and PVC compounds which are used for a wide variety of products such as packaging, domestic appliances, stationery, records and shoes.

Based in Horsham, Sussex, it employs about 130 people. Its plastic sheet factory is in Redhill, Surrey, and its PVC compounds factory is in Swindon, Wiltshire.

The company was founded in 1953 and pioneered the manufacture of record vinyl in the 1950s. In spite of the decline of LP sales in recent years, the record industry is still an important element of the PVC division's turnover because the company supplies the thriving independent sector.

Doeflex says it chooses its markets carefully, looking for those where it can achieve a significant share at good margins. This strategy has enabled it to increase pre-tax profits from £347,000 in 1982 to £1.14m in the year to last December.

Doeflex in its present form is the product of a £1.2m buy-out by its existing management from Batchelor Holdings, backed by CIN Industrial Investments. One reason for the flotation is to pay off the debt incurred in the buy-out.

The issue will be sponsored by Lazard Brothers with Phillips & Drew as brokers.

BOARD MEETINGS

TODAY

Interims:—Glaxo, Highland Distillers, Rand Mines Group.

Finals:—Allied Insurance Brokers, Charles Baynes, Blue Circle Industries, Bodycote International, Child Health Research Investment Trust, I. J. Dewhirst, Fortnum and Mason, London and Metropolitan Estates, Lyon and Lyon, Morgan Crucible, John Mowlem, Photax (London), Quarto Group, Redamec, Sovereign, Technology Project Services, Frank Usher, Yule Catto.

FUTURE DATES

Interims:—

Anchor Chemical ...... Apr 15
Ensign Trust ...... Apr 28

Finals:—

Bank of Wales ...... Apr 22
Bardsey ...... Apr 15
Eastern Produce ...... Apr 16
Hyman ...... Apr 16
Inchcape ...... Apr 27
Spear (J. W.) ...... Apr 16
Sunlight Service ...... Apr 23
TV-am ...... Apr 21
Upton (E.) ...... Apr 24

Nikki Tait looks at the reactions to Fisons international share placing

Pre-emptive rights still a major issue

IS FISONS, the pharmaceuticals and scientific equipment group, about to hit institutional flack over its proposed £110m international share placing?

Rumblings are not far from the surface. And although the issue — which needs shareholder approval at an extraordinary general meeting on April 21 — might normally pass with a few grumbles, the company could be in the wrong place at the wrong time.

"It is not that we are criticising Fison's management," says one big insurance company. "It is just that the overseas drain on equity is getting out of hand."

The problem centres on the well-worn issue of pre-emptive rights. As British companies take advantage of the world markets open to them, there is a growing tendancy to raise handy additional sums overseas.

The routes are various. Fisons is the first major British company to place shares for cash solely outside the UK. But there is also possibility of accompanying an ADR listing in the US with the issue of shares—something the acquisitive building group, C. H. Beazer, is currently planning.

In fact, while Fisons' placing involves 7.4 per cent increase in the existing capital, the £80m Beazer issue could—at the very maximum—entail a hefty 13 per cent rise.

More complex, yet very much the flavour of the month, are the various euromarket paths—either convertible eurobonds, or one where warrants or "put options" are attached. In the past month alone, companies treading this road have included Tesco, Metal Box, Storehouse, British Land, Rowntree Mackintosh and Smith & Nephew.

Advocates of such fund-raising methods claim the money comes cheap. The Fisons issue will be made at the market price—the average of the middle market quotes in the five business dates prior to the placing date—rather than at a normal rights issue discount.

Expenses, including 1 per cent capital duty, will be less than 5 per cent of the gross amount raised. In the case of eurobonds a lower coupon is achieved by offering the equity kicker.

But institutional critics hit back on two scores. First, they argue that news of a forthcoming issue depresses the value of the shares. So by the time the company comes to raise the funds, its price has adjusted downwards anyway.

In addition, the expenses of these issues are often unclear —not, admittedly, a complaint which can be levied against Fisons—and the real discount is concealed.

Superficially, there appears to be a measure of truth. By the middle of last week, for example, Fisons' shares stood at 606p compared with 658p ahead of the placing news — a fall of 8.5 per cent. That compares with a 3 per cent market tumble over the same period.

Life, of course, is seldom simple. Although there has been no bad news emanating from Fisons, some analysts suspect that the shares—strong in the first place — may simply be reacting to previous over-hype of the company's new anti-asthma drug, Tilade. Moreover, they have not seriously underperformed the sector, which has fallen 7.6 per cent between the same dates.

Although the issue might normally pass with a few grumbles, Fisons could be in the wrong place at the wrong time.

The second, more fundamental, grouse is simply the well-worn issue of pre-emption. By making such issues without any clawback, existing shareholders' interests are (sooner of later) diluted.

Pre-emption's guardian angel, the Stock Exchange, abandoned the cause last August when it relaxed regulations on companies making new issues of capital. But udner the Companies Act, directors still have to consult their shareholders if they want to override the principle — and that, in turn has put the ball firmly in the institutions' court.

Both the investment committees of both the Association of British Insurers and the National Association of Pension Funds have guidelines which suggest that disapplications covering occasional issues of up to 5 per cent more equity are acceptable. Over that, they should be questioned.

So far, the institutions have mustered a forceful defence — remember the fuss last June when Dee Corporation, buying Fine Fare, had to raise the clawback on the vendor placing from 25 to 75 per cent?

Now large players, already uncomfortable about the equity dilution in eurobond issues, are hinting that Fisons could be the company where they make a stand on overseas dilution.

The strength of view depends on who one talks to. M & G, for instance, argues forcibly against all dilutive issues. "We don't like it," says director David Tucker bluntly.

"On eurosterling convertibles, for example, you've got a lower coupon and possible conversion at a significant premium, and the argument is that the donkey is unlikely to catch up with the carrot. But as one treasurer put it, the company is taking bets against its share price.

"If the company wants to buy something, why not have a rights issue or a vendor placing with 100 per cent clawback — we don't mind the shares being issued, so long as they are available to all shareholders."

And, adds Mr Tucker, any company trying the new routes can expect a letter of complaint from M & G. It is not, though, a significant Fisons shareholder.

On this issue specifically, the National Association of Pension Funds reports concern from a number of members — with added arguments that these new shares may well drift back to the UK and that reasons why Fisons needs the money are less than clear.

Says the manager of one of Britain's largest pension funds: "Size is the crux—we don't mind a small issue to get a market going. But unless there is a dammed good reason, we would probably vote against."

More dispassionately, Ian White, pharmaceuticals analyst at Greenwell Montagu, argues that there are strong grounds for preferring the Eurosterling route taken recently by Smith and Nephew (raising £90m) to the Fisons placing.

In the former case, he sees a clear advantage to existing shareholders; if there is no conversion, the money has come cheap, and if conversion does occur, financing the yield on the additional equity would only leave the company on a par with one treading a more conventional path.

Fisons' shareholders will only gain if subsequent overseas demand of the shares boosts the price.

In fairness, Fisons has its supporters—"I do worry that this is the thin end of the wedge, but Fisons has performed splendidly. We would probably be in favour," comments one of the larger insurance compaines.

Fisons itself says simply that the greater overseas interest generated should enhance share price; that no institution has approached it directly; and it has no current plans to offer any clawback on the placing.

According to the ABI, Fisons did sound out its view at the outset, but was told it was a matter for the company and its shareholders.

Just how much dust the institutions kick up remains to be seen. Not least of their grouses is the timing—controversial meetings around Easter are about as popular as those at New Year, and proxies have to be in this Thursday.

But even if Fisons slides through, the issue looks set to smoulder on.

COMPANY NEWS IN BRIEF

BOOSEY & HAWKES (sheet music and musical instruments): Turnover for 1986 was £40.38m (£37.72m) and pre-tax loss £1.03m (£5.01m). Loss per 25p share 37.3p (137.6p) and no dividend (same). Net asset value 202p (225p). Company expects continued improvement in 1987.

A. BECKMAN (textiles and property): Pre-tax profits were £823,000 (£802,000) for half year to December 31, 1986. Turnover £7.24m (£7.36m). After tax £285,000 (£291,000) earnings per 10p share 5.3p (5p). Interim dividend 1.95p (same).

BETEC (engineering and property): Final dividend 1.55p (1.3p) making total 2.2p (1.8p) for 1986. Turnover was £16.66m (£14.77m). Pre-tax profits were £1.47m (£1.21m); tax took £328,000 (£336,000) and extra-ordinary items nil (£341,000). Earnings 8.66p (6.78p) fully diluted.

BSS GROUP is selling its three manufacturing divisions. Proceeds will be used initially to reduce borrowings and then to finance the programme of branch developments and continue expansion in the industrial distribution field. Kemutec is being sold for £2.38m cash and Rhodes for £1.5m. The sale of Northvale is being finalised.

YORK TRUST GROUP is acquiring 35 per cent of London Commodity Futures for £600,000 cash and 1.25m shares with an option to acquire the balance within in the next six months for £2.38m cash and 3.13m shares. Under the terms of the option, the directors and other senior personnel will be retained under five-year contracts.

CORTON BEACH is buying BWB Group for £50,000, half in cash and the rest in shares. BWB had pre-tax profits of £113,000 in the year to the end of April 1986 and net assets at that date were £190,000.

FINLAN GROUP is placing conditional upon shareholders' approval, £5m of 7 per cent convertible unsecured redeemable loan stock 2002. It has been conditionally placed by Ifincorp Earl and will not be listed on any stock exchange. It is convertible into ordinary at one share for every £1 stock.

S. CASKET (HOLDINGS) has completed the acquisition of S. Lockley (Hosiery) in exchange for 483,870 ordinary shares valued at £1.24. Casket is confident that this will provide the base for a new mapor profit centre.

EPICURE HOLDINGS has strengthened its position in the specialised materials handling market with its acquisition of Truckimport AB based near Stockholm, for £400 000 cash.

CAITHNESS GLASS (glass-maker) has offered over £500,000 for the Wedgwood Crystal factory in King's Lynn, Norfolk which was recently closed. Production is expected to re-start there at the beginning of May. Murray Ventures, which led a management buy-out of Caithness in 1985, owns 36 per cent of its equity.

JOHNSTON GROUP has purchased Saxon Sanbec, a private company which manufactures fire fighter appliances and specialised commercial vehicle bodies. Consideration comprised £762,500 cash, £337,500 variable rate unsecured loan stock and the issue of 50,000 ordinary shares.

CONRAD HOLDINGS is selling Russell Brothers (Paddington) and its office in London to subsidiaries of Meridian Holdings. Russell has not been profitable for several years and in the nine months to December 31 1985 incurred a pre-tax loss of £90,000.

EWART NEW NORTHERN—Great Pacific Capital, Geneva, has acquired 888,200 shares (20.3 per cent).

INVERGORDON DISTILLERS—Scottish and Newcastle Breweries has sold 2,287,600 ordinary and now holds 1,081,197 (4.7 per cent).

F.T. Share Information

The following Securities have been added to the Share Information Service: Anglo Irish Bank (Section: Banks). Audio Fidelity (Electricals). British Airways (Industrials). Dale Group (Engineering). Nationwide Bldg. Sec. 10½pc 7/3/88 (Loans, Building Societies). Nor-Quest Resources (Mines).

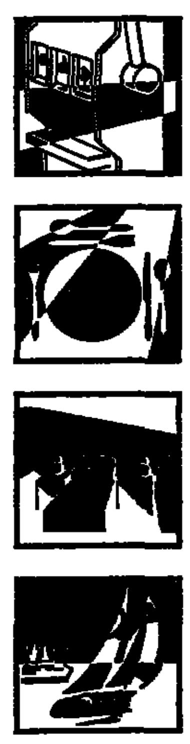
PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus *) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
Allied-Lyons	May 8	Final 8.25	Marks and Spencer	May 8	Final 2.65
Assoc. British Foods	May 19	Final 4.2	*Mowlem (J)	Apr 13	Final 10.0
Aust. & NZ Bank	May 19	Interim 15 cts	*RMC	Apr 14	Final 9.4
*BCI	Apr 13	Final 15.0	Royal Bank of Scotland	May 7	Interim 4.0
BOC	May 12	Interim 4.37	Sainsbury J.	May 20	Final 3.85
*Bank of Scotland	Apr 22	Final 8.5	Sears	May 13	Final 2.5
British & Co'nwealth	May 15	Final 2.8	*Smiths Inds	Apr 15	Interim 1.75
*Bunzl	Mar 31	Final 5.75	Stakis	May 8	Interim 0.48
Costain	Apr 30	Final due	*Tarmac	Apr 28	Final 11.75
English China Clays	May 15	Interim 4.25	Tate and Lyle	Apr 31	Final 7.2
Extel	May 8	Final 8.0	*Taylor Woodrow	Apr 14	Final 13.25
*F. R. Group	Apr 29	Final 2.5	*Tesco	Apr 29	Final 3.7
*Glaxo	Apr 13	Interim 4.0	Tootal	Apr 29	Final 2.5
Grand Met.	May 15	Interim 4.0	Trafalgar House	May 6	Interim 6.2
*Hawker Siddeley	Apr 15	Final 10.0	U.E.I.	May 8	Final 3.5
*Inchcape	Apr 27	Final 11.0	Utd. Scientific	May 18	Interim 2.2
*Kwik Save	Apr 23	Interim 1.8	Vaux	May 8	Interim 1.18
Land Securities	May 14	Final 6.9	Wellcome	May 1	Interim due
*Laporte	Apr 15	Final 5.65			

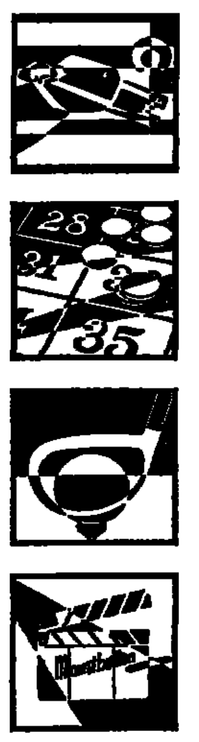
* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

If only everyone's leisure time was this profitable.



THE BRENT WALKER GROUP PLC
and subsidiary companies

Financial Highlights (for the year ended 31st December, 1986)	1986 £000's	1985 £000's
Turnover	32,718	15,702
Operating profit	8,458	4,825
Profit on ordinary activities before taxation	7,172	3,723
Retained profit	3,110	2,095
Earnings per ordinary share	20.63p	13.77p



The Brent Walker Group has been rather busy over the past few years.

But as the table of figures above shows, we were particularly industrious in 1986.

On 10th April, 1987, we announced a rights issue to raise approximately £35 million to assist in funding future expansion of the Group.

Our development projects continue, with the planning of the 60,000 seater Basildon Astrodome nearing completion. Work will commence later this year on the Cardiff World Trade Centre and Hotel subject to the granting of an Urban Development Grant.

Our acquisition programme also continues, most recently with the 1,500 acre estate at Le Touquet on the north French coast.

To find out why we view the future with such confidence and excitement, contact The Company Secretary, The Brent Walker Group PLC, Knightsbridge House, 197 Knightsbridge, London SW7 1RB for your copy of our 1986 Annual Report now.

And then read it at your leisure.

THE BRENT WALKER GROUP
WORKING FOR PLEASURE

FINANCIAL TIMES STOCK INDICES

	Apr. 10	Apr. 9	Apr. 8	Apr. 71	Apr. 6	Apr. 3	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs.	89.68	90.55	90.61	90.76	90.91	89.91	92.19	84.49	127.4	49.18
Fixed Interest	96.97	97.11	96.99	97.35	97.32	97.30	97.98	90.23	150.4	50.53
Ordinary	1523.8	1546.2	1558.6	1564.5	1566.0	1546.4	1625.2	1320.2	1625.2	49.4
Gold Mines	170.4	441.2	436.2	424.9	421.8	415.9	455.3	288.2	734.7	43.5
FT-Act All Share	974.45	986.51	990.97	995.97	996.88	986.06	1026.58	835.48	1026.58	61.92
FT-SE 100	1936.7	1962.8	1976.7	1987.0	1989.6	1965.1	2056.2	1680.0	2056.2	986.9

This advertisement is issued in compliance with the Regulations of the Council of The Stock Exchange.

Application has been made to the Council of The Stock Exchange for the whole of the issued share capital of YRM plc to be admitted to the Official List. It is expected that the shares will be admitted to the Official List on 15th April 1987 and that dealings will commence on 16th April 1987.

YRM plc

(Incorporated in England and Wales under the Companies Act 1985. Registered No. 2064236)

Placing by
James Capel & Co.

of 3,500,000 shares of 10p each at 133p per share.

SHARE CAPITAL

Authorised		Issued and now being issued fully paid
£1,500,000	In shares of 10p each	£1,200,000

The Group is a building design practice providing professional services in architecture and planning, building services engineering, interior design and structural and civil engineering in the U.K. and overseas.

875,000 shares, representing 25 per cent of the shares now being placed, are being placed through Allied Provincial Limited.

Listing Particulars relating to YRM plc are available in the statistical services of Extel Statistical Services Limited. Copies of the Listing Particulars may be obtained for collection only during normal business hours (Saturdays and Public Holidays excepted) up to and including 15th April 1987 from the Company Announcements Office, The Stock Exchange, Throgmorton Street, London EC2P 2JX, and up to and including 27th April 1987, from:

James Capel & Co.
James Capel House
6 Bevis Marks
London EC3A 7JQ

13th April 1987

YRM plc
24 Britton Street
London EC1M 5NQ

SEARS OVERSEAS FINANCE N.V.

To the Holders of Sears Overseas Finance N.V.
U.S. $100,000,000 13¾% Guaranteed Notes
Due May 15, 1988 ("Notes")

Pursuant to the terms of the Notes and the Amended and Restated Fiscal Agency Agreement dated May 15, 1982 among Sears Overseas Finance N.V., Sears, Roebuck and Co., as Guarantor, and Continental Illinois National Bank and Trust Company of Chicago, as Fiscal Agent and Paying Agent, notice is hereby given that Sears Overseas Finance N.V. will redeem all of the outstanding Notes on May 15, 1987 (the "Redemption Date"). The redemption price for the Notes shall be 100% of the principal amount [illegible] payment to be made upon presentation and surrender of the Notes to be redeemed. The Notes may be [illegible] at any of the following locations, at the Noteholder's option, on or after the Redemption Date: Continental Illinois National Bank and Trust Company of Chicago, Corporate Trust Operations, 30 North LaSalle Street, Chicago, Illinois 60697; Continental's main offices at Mainzer Landstrasse 46, 6000 Frankfurt, Germany; 10 Avenue Montaigne, 75008 Paris; Continental Bank House, 162 Queen Victoria Street, London EC4V 4BS; Continental Bank S.A., Rue de la Loi 227, B-1040 Brussels; [illegible] 18, CH 8022 Zurich; Algemene Bank Nederland N.V., Vijzelstraat 32, 1000 EG Amsterdam, Netherlands; Banque Generale du Luxembourg S.A., 14 Rue Aldringen, L-1118, Luxembourg.

Sears Overseas Finance N.V.

By: Continental Illinois National Bank and Trust Company of Chicago, Fiscal Agent

U.S.$250,000,000

National Australia Bank Limited

(Incorporated with limited liability in the State of Victoria, Australia)

UNDATED SUBORDINATED FLOATING RATE NOTES

Notice is hereby given that for the six months interest period from April 9th, 1987 to October 9th, 1987 the Notes will carry an Interest Rate of 6.6875 per annum. The interest payable on the relevant interest payment date, October 9th, 1987 will be U.S.$8,689.32 and U.S.$347.57 respectively for Notes in denominations of U.S.$250,000 and U.S.$10,000.

By: The Chase Manhattan Bank, N.A., London, Agent Bank.

April 13th, 1987

CHASE

GRANVILLE
SPONSORED SECURITIES

Capitalisatn. £000's	Company	Price	Change on week	Gross div.(p)	Yield %	P/E
6361	Ass. Brit. Ind. Ord.	157xd	0	7.3	4.6	9.6
—	Ass. Brit. Ind. Culs.	163	0	10.0	6.1	—
900	Armitage & Rhodes	38	−1	4.2	11.7	5.0
6210	BBB Design Group (USM)	75	−1	1.4	1.9	17.9
71366	Bardon Hill	222	+2	4.6	2.1	25.2
7170	Bray Technologies	130xd	+17	4.7	3.6	10.4
469	CCL Group Ordinary	134	0	2.9	2.2	9.5
1263	CCL Group 11pc Conv Pf	101	0	15.7	15.5	—
16232	Carborundum Ord.	270	0	10.7	4.0	11.7
858	Carborundum 7.5pc Pf	94	0	10.7	11.4	—
1736	George Blair	94	+1	3.8	4.0	2.4
9719	Isis Group	122	+1	18.3	NA	NA
6509	Jackson Group	125	+1	6.1	4.9	8.5
51410	James Burrough	367	−1	17.0	4.6	10.3
3257	James Burrough 9pc Pf	93	+1	12.9	13.9	NA
62244	Multihouse NV (Amst SE)	670	−35	—	—	35.1
8349	Record Ridgway Ordinary	363	0	—	—	6.5
2322	Record Ridgway 10pc Pf	86	0	14.1	16.4	—
867	Robert Jenkins	85	−4	—	—	3.7
3600	Scruttons	80	+3	—	—	—
3759	Torday & Carlisle	154	+1	5.7	3.7	9.3
1473	Travian Holdings	325	+1	7.9	2.4	6.8
17200	Unilock Holdings (SE)	86	−5	2.8	3.3	15.8
35000	Walter Alexander	135	+4	5.0	3.7	12.9
4604	W. S. Yeates	193	0	17.4	9.0	19.3
4452	West Yorks Ind. Hosp. (USM)	105	+3	5.8	5.3	15.0

Granville & Company Limited
8 Lovat Lane, London EC3R 8BP
Telephone 01-621 1212
Member of FIMBRA

Granville Davies Coleman Limited
27 Lovat Lane, London EC3R 8DT
Telephone 01-621 1212
Member of the Stock Exchange

Monday April 13 1987

FINANCIAL TIMES SURVEY

Trends away from giant workplaces and towards smaller businesses are reviving the old tradition of workers' co-operatives as a means of company organisation. And employee share ownership schemes, already popular in the US, look likely to grow in the UK. **Alan Pike,** Social Affairs Correspondent, reports.

Employee Ownership

Averting closure by co-operation: workers at Barnsley Metal Finishing

CONTENTS

Back to plain common sense

"I WAS NEVER willing to believe without trial that what seemed to me to be plain common sense was in fact unworkable."

The words are those of John Spedan Lewis, creator of the John Lewis retailing organisation, one of Britain's best-known and most successful employee partnerships, in its present form.

There is today a widespread consensus that it is plain common sense for employees to be more closely involved in the organisations for which they work as shareholders, partners or co-owners. All the main political parties subscribe to the ideas in one form or another.

But like many ideas which public opinion may agree are plain common sense, the development of employee ownership has been slow and uneven.

The John Lewis Partnership, for all its founder's ideals and its current success, remains an untypical form of company organisation. Workers' co-operatives still frequently provoke images of idealistic fringe operations, or last-ditch attempts to revive dead companies, rather than sound commercial enterprises. Employee share ownership schemes have been slower to take off in the UK than in the US and elsewhere.

But there are signs that the pace of change is increasing. The declining number of people employed in conventional big plants, and the Government's concentration on small business as a generator of economic growth and employment, increases opportunities for co-operative forms of organisation. And surveys suggest that employee share ownership plans, or Esops, well-established and popular in the US, are set to grow substantially in the UK.

Unity Trust, the trade union financial institution, has conducted extensive surveys into the opportunities for employee share ownership in the UK and has devised a model Esop. Earlier this month Roadchef, the motorway service area operator, became the first organisation to introduce an Esop on the Unity Trust model.

Roadchef has set up a £650,000 trust fund which will allocate free shares to longer-serving staff, and buy them back for tax-free sums when workers leave or retire. Unity Trust—which provided £350,000 towards the £650,000 required to establish the fund—will this month be launching its Esop proposals nationally. Given its unique position as a trade union-backed organisation in the City, it could play a pivotal part in spreading the Esop message to both boardroom and shop floor.

Unity Trust carried out research in a range of countries in its search for a model British Esop. It found a variety of different approaches already established—a central government programme in Sweden, a trade union company buying shares in the Netherlands, and a tradition of direct trade union equity investment in West Germany.

Mr Terry Thomas, managing director, says Unity Trust decided on a version of the US Esop as the most suitable approach for the UK.

"The central purpose of the Unity Trust model is to create new risk capital. We lend money to the trust on behalf of the employees. Since the employees do not have to put up the capital in the first place the scheme allows all to be involved, rather than just those who can afford to take the share risk. The values of the shares will then be driven by the employees' own performance."

Esops may be relatively rare in the UK at present, but there are signs that they are about to grow—Unity Trust estimates that there will be at least 10m UK employees in Esop-type schemes by the end of the century. But many employees do, of course, already benefit from more conventional share schemes.

A survey of Britain's top 1,000 companies published this year by Coopers & Lybrand in conjunction with Monks Partnership shows that 67 per cent have executive share schemes and 33 per cent SAYE share option schemes. But a much smaller proportion of the 1,000 companies—only 16 per cent—have profit sharing schemes.

Share schemes are shown by the survey to increase in popularity with size of company. Of the 200 companies in the survey with turnovers exceeding £271m, 84 per cent have executive share option schemes, 67 per cent SAYE share option schemes and 27 per cent profit sharing schemes.

Coopers & Lybrand says the research indicates that take-up in SAYE share option schemes remains "disappointingly low." On average, between 16 and 20 per cent of eligible employees join such schemes. In a quarter of the companies surveyed, fewer than 10 per cent of eligible employees had joined such schemes.

"Whilst it might be thought that popularity of shareholding brought about by recent privatisation issues would ensure greater interest, we suspect success depends on a combination of good presentation and company morale."

Although profit sharing schemes operate in only a minority of companies, Coopers & Lybrand, like Unity Trust, sees a steady increase in such schemes over the next few years.

"Although these schemes are the most complex, they are also the most flexible. Employees can, but need not, be asked to contribute. The scheme can be used in private companies to finance the purchase of family shares or to assist in a management buy-out."

Conventional workers co-operatives did not improve their image as a viable form of business organisation in the 1970s with the well-publicised establishment—and equally well-publicised failure—of the Meriden motor-cycle co-operatve, Kirby Manufacturing and Engineering and the Scottish Daily News.

But in the small business environment of the 1980s, the co-operative ideal remains alive and growing. The number of worker co-operatives and community businesses rose by two-thirds to 1,476 in the two years to June 1986. Over the past six years there has been a five-fold increase.

The Co-operative Development Agency, a public body, is making successful attempts to bring small businesses together in joint marketing co-operatives. And it has been asked by the Government to carry out an experiment in Middlesbrough on the lines of the famous Mondragon co-operatives in Spain. Co-operatives are also receiving support from many local authorities.

"The Partnership's supreme purpose is to secure the fairest possible sharing by all its members of the advantages of ownership—gain, knowledge and power; that is to say, their happiness in the broadest sense of that word so far as happiness depends upon gainful occupation."

This comment by John Spedan Lewis would be supported by many of those currently involved in the co-operative movement. But in case it sounds too idealistic to have value in a competitive business environment, it needs to be examined against the modern performance record of the John Lewis Partnership.

Mr John Sadler, deputy chairman, accepts that it is almost certainly easier for a new business to finance its establishment by conventional rather than co-operative arrangements. But he says the modern John Lewis—which stands among Britain's largest 200 companies—has not been prevented from financing any developments because of its partnership structure.

Between 1970 and 1990 the selling area of the partnership's department stores will have doubled—at a time of limited expansion elsewhere in the department store sector—while John Lewis's Waitrose supermarkets will have grown from 39 in 1970 to more than 90 in 1990.

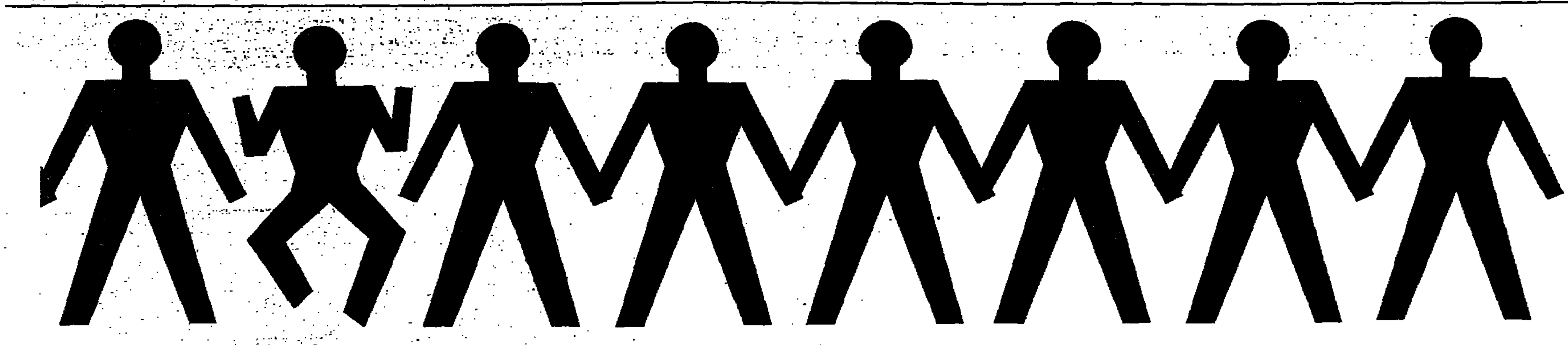
The business belongs to all full-time staff who work in it from the day they join, with profits which are not required for business purposes returned to partners in the form of bonuses. This year the partners—who receive market pay rates—received £42m in bonuses. This amounted to 24 per cent of each individual's pay packet, and bonuses have averaged 19 per cent a year since 1982.

So employee ownership can boast its flagship examples of success. But like other apparently good ideas, it cannot be implemented without careful preparation as a panacea for improving companies' employee relations and economic performance.

Mr Richard Cockman, chairman of Cockman Consultants and Partners, which has designed many share option and similar schemes, stresses the crucial importance of successful employee communications when launching such changes.

Whatever party is in power after the forthcoming UK General Election, the search for new and varied forms of job creation will continue. In the lonely world of self-employment and small business, co-operatives—even if only covering some functions of a business like marketing—are increasingly appealing.

And the drive to get employees more directly involved in their workplaces through various forms of share ownership is unlikely to be halted by a change of Government, because it is part of an international trend. In the US, trade unions which were initially hostile to Esops now play an active role in promoting them. Although still an untypical form of company organisation, one of the lasting attractions and strengths of employee ownership is that it can be accommodated within many a political philosophy.



Looked at employee share ownership lately?

Have you noticed there's one new approach that's different?

ESOPs (Employee Share Ownership Plans) are beginning to interest more and more employers because, among other attractions, they appeal directly to those they employ. ESOPs set out to make winners of both management and workforce, so they can hardly fail to assist the growth and success of a company.

The broad aims and advantages of an ESOP can be simply put:

1. To provide a company with loyal capital for expansion at modest cost.

2. To create a substantial and permanent employee shareholding in a company. (Unlike conventional schemes ESOPs increase the attractiveness of minority equity stakes by making an internal market in the shares).

3. To give employees — and this includes work floor operatives as well as white collar staff — a long term capital stake in the future of their company.

As well as fulfilling all current legislative requirements in the UK, ESOPs go with the grain of all the major political parties in terms of economic thinking. In the new attitudes that are beginning to take hold in business Britain, ESOPs are well ahead. ESOPs offer the means to bury the old "Them and Us" antagonisms by fusing individual and corporate interests within a company to the general advantage.

The growth of ESOPs

In 1973 ESOPs were hailed in their birthplace, the USA, as a way to "provide cheap finance for business, at the same time cutting workers in on the potential for capital gains".

The idea took off: in 1974 300 ESOPs were established and ten years later, in 1984, the number had risen to 7,000, covering no less than 10 million employees.

A 1984 study by the US National Center for Employee Ownership suggested that ESOP companies performed better than non-ESOP companies in a carefully monitored sample.

Based on analysis of the US phenomenon, ESOPs are now being sponsored by Unity Trust, the trade union and co-operative financial institution, in a form designed to meet the fiscal, legal and social circumstances of the U.K.

The first UK ESOP

The first UK ESOP using the Unity Trust model has been installed by RoadChef, the largest privately owned motorway service company in the country.

Under the plan employees acquire 12½% of the company. According to managing director, Tim Ingram Hill, "It allows us to make use of pre-tax profits to offer a potentially tax free gift of a stake in the company to our employees. At the same time we can realise some capital for existing shareholders and raise capital for development without going outside the company".

Company proprietors, major shareholders, financial and personnel directors will want to know more.

A booklet dealing in detail with the way an ESOP works is now available. It explains among much else how a basic trust is set up, how it is funded and how it is used.

With the information given anyone investigating Employee Share Schemes on behalf of his company will be able to analyse and compare.

Nobody preparing a report in this field should neglect the full implications of an ESOP as a means to boost employee morale while at the same time improving a company's financial position.

UNITY TRUST

Please write for the ESOPs booklet to:
**Unity Trust plc,
1 Carlisle Avenue,
London EC3N 2ES
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Economic outlook

Bugbear of equity participation

WHEN IT comes to finance, employee-owned businesses, in the true co-operative model, start with a big snag: principles.

And the host of government measures, designed to increase Britain's share-owning democracy or to foster profit-sharing, have done little to help.

The result, according to the National Co-operative Development Agency, is that while the number of co-operatives has grown rapidly from around 300 in 1980 to close on 1,500 at present, their expansion has been achieved largely by the ploughback of returns generated or by conventional bank lending.

The essential problem is the reluctance to relinquish equity ownership to an outside body—financial institution or otherwise. In a typical venture capital situation, the financial backers may put up a chunky sum in loan capital, but there is invariably some sort of equity stake attached. Within the constitution of many co-operatives (certainly among the purists) such a move would be impossible: only workers hold the shares.

Even in the more liberal versions, any share stake given to financial backers would effectively make them part of the co-op—something conceivable if a local community is providing the funding: less acceptable where an outside institution is concerned.

This, though, is a fundamental problem now well-recognised by the co-operative movement—and one to which adherents themselves are finding an increasing number of solutions.

True, even at the conventional banking level, odd concessions can be found. The Co-operative Bank, which for all that it operates on strict commercial criteria, remains acutely conscious of its roots. It runs a specialist unit, concentrating on small businesses and co-operatives in Manchester, and reckons to have around 400 co-ops among its customers—"about 30 per cent of those we could feasibly service," claims Mr Peter Walker, manager of the unit.

Most practically, its standard published commission rates—based on a customer's turnover—are 0.25p per cent for co-ops, compared with 0.48p per cent for other customers, small businesses included.

That said, as with all banking decisions, rates and interest charges are varied with the quality and security of the business involved. But the bank firmly maintains that its experience in the co-operative field has done nothing to deter it from this form of customer. "There is no evidence that these businesses are less likely to succeed—if anything the survival rate is a little better," claims Mr Walker.

In general, though, the more innovative financing schemes have come from within the movement itself. One leading player is Industrial Common Ownership Finance (ICOF), which was set up in 1973 by pioneers of the new co-operative wave. Helped by £250,000 in government funding, and drawing additional money from local authorities and other successful co-operatives themselves, ICOF currently has resources totalling some £660,000—of which around £307,000 is out on loan. Technically, it is a private company, limited by guarantee; the funds, which go only to co-ops meeting the Industrial Common Ownership Movement (ICOM) rules, are administered by 10 trustees.

But ICOF has plans to add to its coffers. At present, it does not qualify for licensed deposit-taking status, and hence cannot draw in funds from the general public. This June it intends to launch a corporate subsidiary, in which co-operative sympathisers will be offered non-voting preference shares. The shares will carry a coupon of 6 per cent and be sold at par, redeemable after 10 years. The hope is to raise £500,000 by the end of 1987; the minimum which must roll in by July is £100,000.

Following on from the ICOF model come a growing number of local authority "revolving credit" schemes, whereby any interest generated or loans repaid are ploughed back into further co-operative lending. There are now just under a dozen of these schemes, ranging from a £20,000 fund in Cambridgeshire to the London Co-operative Enterprise Board, with loan funds of around £1m. The Co-op Bank itself is looking at a joint fund with one local authority—the latter possibly providing as much in the way of guarantees as actual capital.

Tackling the equity problem head on, another recent development has been "equity participation co-operatives."

Here, there is a two-tier structure. First comes a conventional trading company in which both the EPC and outside investors hold equity stakes. The EPC, however, is wholly-owned by workers in the business; moreover, through the company's articles, board membership and voting structure, it controls the trading business. In the event of "default" by the trading company—failure to meet certain conditions—that control is lost and swings to the outside investors.

Cynics may point out that the protection comes too late, but the formula has proved successful in three cases, according to the CDA—a printing co-operative, a double-glazing business and a garden centre, spread geographically from Shropshire to the North-east. In all three, local government money was involved, in one case assisted by trade union funds and in a second by the local community.

But the real bugbear is the inability of co-operatives to tap into the burgeoning Business Expansion Scheme. This, by allowing individuals to invest up to £40,000 a year in BES companies and claim relief against their highest rate of tax, raised some £150m for small and embryonic businesses during the 1985-86 tax year. But for co-operatives there is again the inevitable equity problem.

The prospective pool of funds is sufficiently tantalising for the CDA to make tentative approaches to the Inland Revenue and fund managers. Its idea is that outside investors who were interested in a co-operative project could be offered a certain return payable at the end of, say, five years. By marrying up the co-op and the investor via a partnership agreement, tax relief might be applicable.

Initial soundings from the Revenue, says the CDA, have been neither discouraging nor particularly enthused—producing a case based on a real co-op looks to be the next step. The problem is that, even if the idea can be sold to the taxman, there are still investors to be dealt with—and there is no shortage of rival claims

Nikki Tait

Shadow Chancellor Roy Hattersley favours extension of employee shareholding if it extends the rights part ownership

Political attitudes

Divergence on where the power lies

NOTHING DIVIDES the political parties as much as issues on which they at first sight appear to be united. All parties agree that it is desirable for employees to have a stake in their companies, but the visions underlying their enthusiasm are very different.

For the Conservatives, worker shareholders are an important element in popular capitalism, and even in the co-operative, that most outwardly socialist form of endeavour, has a role in the market economy.

Employee stakes have been a major element in privatisations, and share options, especially for executives, are encouraged in pursuit of the view that incentives for managers aid wealth creation generally.

Labour is also in favour of almost all of that, though, like the Alliance, it does not approve of share incentive schemes which are confined to executives.

It sees the Conservative vision as part of the Government's general policy of splintering the collective voice of employees by concentrating on the role of individual shareholders.

The party puts more emphasis on the ownership of shares by employee trusts, so that the voice of workers in a company would have real influence, even control, over decision-making and in the choice and style of management.

The Alliance regards worker shareholding as an extension of its theme of partnership into the workplace. The Alliance, like Labour, feel that participation through shares is one way of breaking down the barriers within businesses.

The Alliance parties argue for a greater sharing of the risks and rewards of business, as part of the drive to foster commonality of purpose between workers and managers. In their policy book, The Time Has Come, Dr David Owen and Mr David Steel say: "We want an industrial climate in which it becomes commonplace for labour to hire and organise capital."

Such expressions are a long way from the Conservative view. Popular capitalism requires the growing participation by individuals in the equity marketplace, where the shareholder operates as an individual rather than collectively. The Government favours, and has done much to foster, employee share ownership, but is cautious about putting too much emphasis on it.

The Conservatives argue that it is not necessarily healthy for an employee to have his or her salary, pension rights and shareholdings all tied up with one company. They want to see individuals widen their participation in the market, and certainly have no sympathy with Labour's approach. How, they ask, would it be possible to ensure that union-nominated trustees would always have in mind the long-term interests of all employees?

The whole point of employee ownership, they say, is to make people identify with their companies—"trying to make people realise that capitalism is for them," as one adviser put it.

The Government is proud of its record in the field—there are more than 1,200 all-employee schemes and 2,000 executive only schemes. It dismisses Labour and Alliance criticism of the latter, arguing that there would be a lot fewer employee shareholders without them, that some reach a long way down within companies, that they fit in with the principle of giving incentives to those at "the sharp end" of industry and that they encourage companies to take the next step forward—into the all-employee plans.

The number of co-operatives has also expanded under the present administration, from about 300 in 1979 to about 1,400 in the later part of last year. For Conservatives, the worker co-op is simply another form of capitalist enterprise. It proves that you do not have to be an absentee to be a capitalist—a person can be a capitalist in his or her own business, whether it be a coventional company or a co-op.

Indeed, the Conservative approval of co-ops is strengthened by their tendency to survive better than other types of business. This high survival rate is also a factor that appeals to Labour, whose faith in co-ops is undimmed, despite the well-publicised failures of the 1970s. Party officials point out that to argue that those failures spelled the end of co-ops is as logical as to argue that the large number of companies which go bankrupt every year signal the end of capitalism.

For Labour, the co-op is the most effective form of employee share ownership, distributing power and benefits equally among its members, and incidentally creating new jobs at a lower average cost than many other forms of job encouragement.

Co-operatives and employee share ownership fall under the umbrella Labour policy of social ownership. Mr Roy Hattersley, the shadow Chancellor, has argued: "The extension of employee shareholding (if it carries with it the rights which part ownership is supposed to convey) is wholly consistent with the aim of socialism—the more equal distribution of power and wealth and the consequent emancipation of working people. It is also in the interests of the economic success and social cohesion of this country."

The fundamental difference between Labour and the Government is Labour's insistence that the broadening of power and influence is part of the exercise. The party emphasises that it does not see such control as a vehicle for employees to take over the day-to-day running of companies, but Labour does see worker shareholders having influence on strategy and general policy.

The party argues that the trusts are a solution to the problem of the dilution of the value of existing shares by the issue of new shares to employees. The trusts would be set up to buy existing shares on behalf of employees, thus breaking down the resistance to employee ownership by some institutional investors.

The Alliance is less concerned with control and more with its general theme of partnership. The Alliance parties say they are all about breaking down the barriers in society, which includes the fostering of a greater sense of common purpose between employees and managers.

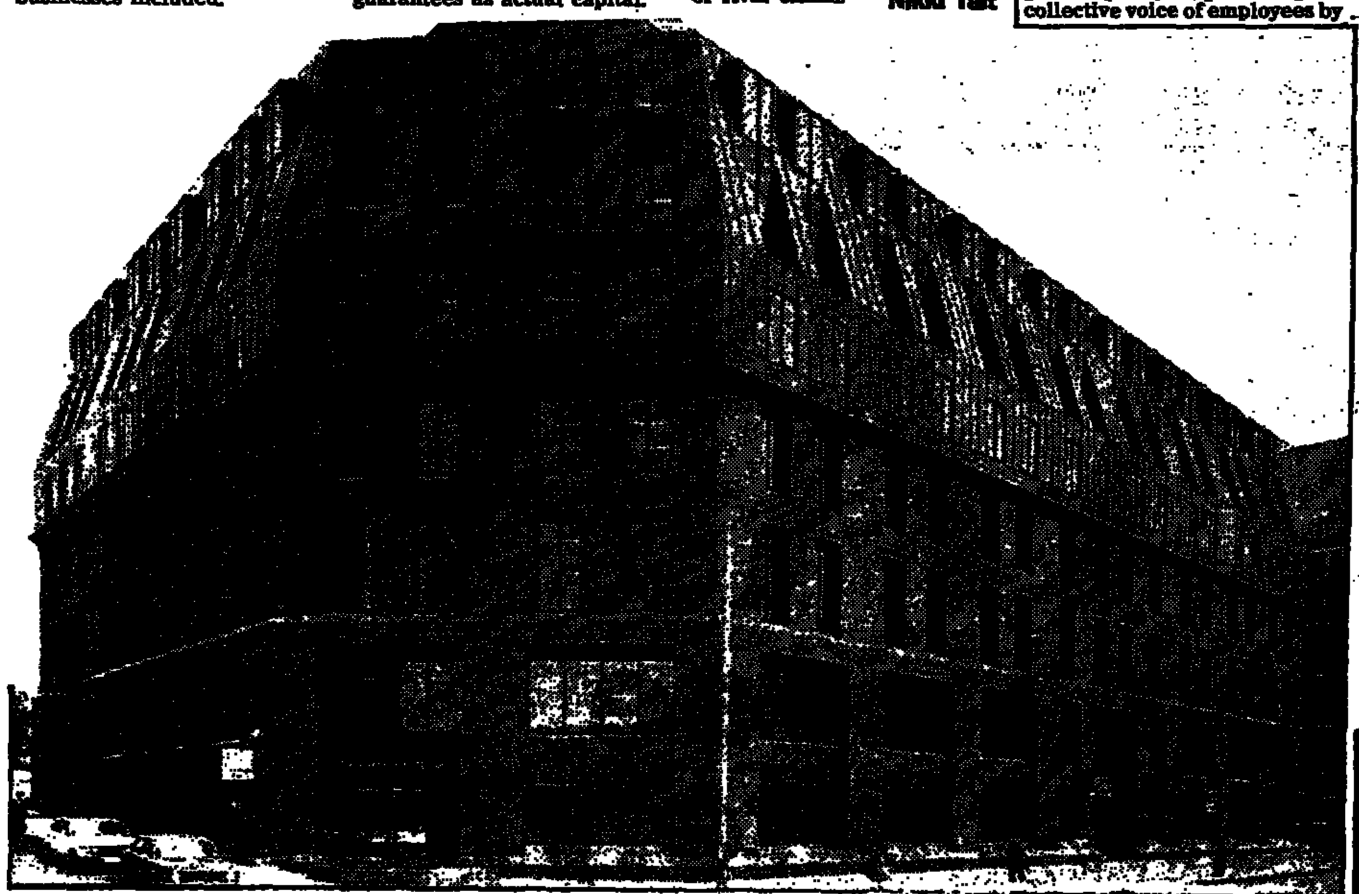
They are critical of the existing share incentive schemes, which they say do not do enough to bring the lower paid into the picture, and they are emphatic that they would not allow the sort of schemes which give benefits only to the executives. They fear that the current trend in government thinking might encourage companies to leave employees taking all the risks through profit-related pay, while executives are protected by share options.

The Alliance sees the employee part of the industrial partnership as providing the knowledge of the company's operations which is not shared by the other shareholders. The result, they argue, will be better industrial performance and a "dynamic of success."

They view co-operatives as enterprises which wholly embrace the participative ideal "combining job ownership with participative and democratic procedures," as the two Davids put it.

The various party policies on the issues are unlikely to have a major influence on voters' decisions in the forthcoming general election. However, it seems certain that, whoever emerges victorious, the onward march of employee ownership will be quietly cheered on from Downing Street.

Tom Lynch



The Co-operative Bank headquarters in Manchester: a unit concentrates on small businesses.

Dr David Owen and Mr David Steel: the Alliance argues for a greater sharing of the risks and rewards of business.

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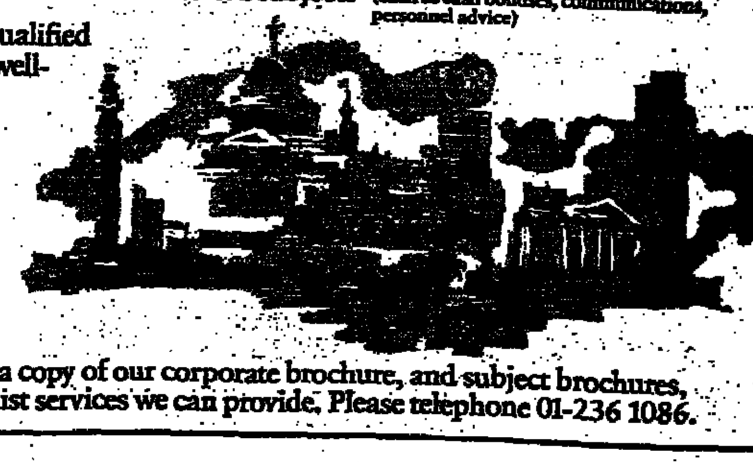

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France

A tarnished image needs refurbishing

THE FRENCH co-operative movement, which has long been seen as a leader in the field of worker ownership in Europe, has reached a difficult crossroads. After steady development during the last 20 years, the growth of the movement has halted; large co-operatives have gone out of business and newly created ones have not managed to offset the loss of the older ventures.

"We are now asking ourselves many questions and trying to develop a strategy to enable the movement to resume its growth," remarked an official of the Sociétés Co-operatives de Production (SCOP), the association which groups together French industrial and productive co-operatives. The association which employed 36,000 people in different co-operatives in 1985 has seen its workforce decline to around 34,000 people last year.

"We have seen some old but large co-operatives fold up, especially in the building sector. Smaller new start-ups have also not been sufficient to make up for the loss of the old concerns. Moreover, the rate of growth of start-ups has also slowed down," the SCOP added.

Indeed, new productive co-operative start-ups totalled about 200 concerns, creating 2200 new jobs last year compared with 280 start-ups in 1985 and 2500 jobs.

Although it might be tempting to think that the arrival in France last year of a new right-wing government was one of the reasons for the stagnation of the co-operative movement, officials of the movement readily acknowledge that this has not been the case.

The former socialist government had at the beginning been extremely favourable to the co-operative idea as a source of new jobs. But it did not particularly support the movement in practice which was hit, like other economic sectors, by the policy of economic rigour which the socialists launched during the second part of their term in office.

The movement was clearly apprehensive when the right returned to government 12 months ago. "But you cannot say that the change in government has brought about any direct modifications to our movement," said Mr Jean Gautiet of the SCOP. However, if there have been no direct repercussions from the new French political situation, the movement has had to face the indirect effects of the government's economic policies.

More significantly, the movement has been forced to adapt to a major change in the mentality of French workers and salaried employees reflecting the economic and industrial evolution of the country after several years of difficult and continuing restructuring and a policy of economic rigour coupled with a more liberal free market approach.

Apart from the start-up business, a major source of new co-operatives came in the past from the takeover of bankrupt or troubled companies by employees of these concerns. During the last months, this source of co-operative activity appears to have declined significantly.

This is in part explained by the fact that the French union movement and employees in general have become more cautious and in the case of troubled heavy industrial sectors demoralised and anxious for future job security. This has meant that a large number of employees, who could in the past have been tempted by the idea of starting a co-operative venture by taking over a bankrupt company for which they worked or one on the brink of collapse, have preferred to opt for the various government-backed job retraining and industrial reconversion schemes launched during the last five years as part of the general restructuring of French industry.

Another past source of co-operatives has also suffered by the changes in the economic and financial environment of the country. This involves the transfer of small businesses into co-operatives to overcome succession problems which risk either dismembering or forcing the sale of a small enterprise. This has long been a major issue in France where about 65 per cent of the country's small companies have no family successors. Because of the risks over the survival of such enterprises, the French administration encouraged both management and employee buy-outs as well as the conversion of small family businesses into co-operative ventures.

These conversions into co-operatives have been running at an average of 20-25 a year since 1981, but the figure is expected to decline sharply this year.

The explanation for this decline in co-operative conversions reflects the increasing interest in France for leverage management buy-outs of enterprises normally by a small number of senior management members. After a slow start, due to what was regarded as inadequate legislation to encourage such buy-outs known in France as Reprise d'Entreprise par les Salaries (RES), the rate of new management buy-outs has sharply increased in recent months and is expected to continue doing so.

The development of venture capital and venture capital funds has also boosted the management buy-out business and in turn increased competition for co-operative conversions in this sector. The trend appears increasingly to favour buy-outs by small groups of senior managers, with blue collar or other salaried employees preferring to remain out of the direct buy-out operation.

The French co-operative movement has also continued to suffer from an overall image problem. This has been exacerbated by the difficulties a number of large co-operatives have faced during the last two years.

Some of the country's biggest retailing and distribution co-operatives have gone bankrupt while others, like the co-operative supermarkets, have been taken over by private sector groups.

One of the flagships of the French co-operative movement, the FNAC book and consumer electronic goods discount store chain, has also been taken over by the Garantie Mutuelle des Fonctionnaires and the Habitat-Mothercare group.

"Our bad image is currently a problem," officials of the movement acknowledge. "It will be one of the challenges we will face. To try to restore the image of the movement and enable it to put it back on a growth path."

Paul Betts

Spain

Mondragon still a shining model

AN HOUR'S drive south-east from Bilbao, a string of mostly small factories dots the wooded valleys around the small town of Mondragon. In landscaped grounds on the hillsides, two modern buildings create something of a campus atmosphere.

One, a long low building with a commanding position, is the headquarters of the Caja Laboral popular savings bank, hub of Mondragon's 30-year old co-operative experiment. The other, opposite, an applied research laboratory, co-financed by the co-operatives and by the Basque regional government, is part of the key to Mondragon's survival and testimony to the professional approach which is its main hallmark.

Regarded elsewhere in Europe as a model of its kind in worker-ownership, Mondragon is probably better known abroad than in Spain itself, where it remains unique as a large-scale application of co-operative principles in industry. Built up on the basis of a close-knit local society, it leads a discreet, publicity-shy existence, concentrating in typical Basque fashion on doing its own business.

Co-operatives linked to the Mondragon savings bank last year employed 17,500 and had turnover of Pta 160bn (£785m), one-fifth of that figure in exports. A venture that started out making oil stoves is now producing robots and completing delivery of a refrigerator plant to China.

The first co-operative in this old iron region was founded in 1956 by five students of a technical school which had been set up by a far-sighted priest. This venture, named Ulgor from the initials of its founders, paved the way for others. There are now close to 100 co-operatives in the area, ranging from metal-working to education, enjoying their own social security, banking facilities and technical and management training.

Employees are all members of the co-operatives. In the biggest group, now known as Fagor, the cost of joining is Pta 800,000. The sum is put in an interest-bearing deposit until the member leaves. Salaries, known as "labour advances," work out on average as the same in more conventional companies in the same branch, but the differentials are much narrower, with top management earning well below par.

Although the structure of a company such as Fagor, where the executive team is appointed by an elected council, allows for managers to be recruited from outside, this means in practice that they have usually to be trained in-house.

Under Spanish law, half of co-operatives' profits go to reserves. The other half is distributed. In Fagor, which groups 13 separate co-operatives, the units pool their profits before distribution. They are then paid out according to job grade, adjusted upwards or downwards depending on how the individual employee's performance is evaluated.

Employing 6,000, with sales of Pta 47bn last year, this group has managed to keep its head above water in one of the most crisis-ridden sectors of industry, that of electrical "white" goods, hit by a slump in demand, over-capacity and the threat of even fiercer competition as Spain reduces its import tariffs under its EEC transition arrangements.

Fagor, the biggest Spanish company in the sector, has moved away from the old system of loosely-associated co-operatives and taken on the management structure of more conventional large corporations. In response to the demands of EEC competition, the idea of a diversified group has replaced that of separate specialised units.

Its 13 member co-operatives, which retain their legal autonomy, are mostly spin-off ventures created during the 1970s. These new operations, grouped together with Ulgor's kitchen goods factories, were able to absorb the 1,000 jobs which became redundant with the modernisation of the domestic appliance production lines—thereby overcoming one of the in-built handicaps of the co-operative system, the difficulty of shedding labour.

In the event, the group will have gone through its streamlining process virtually without job losses, thanks to new activities.

It is now organised under central management with three divisions: its restructured "white" goods operations, and its growth sectors of industrial components and engineering and capital goods.

Its products, exports of which were once limited to markets such as Algeria, are becoming increasingly well-known in the EEC, and the group has ambitious plans for North America and the Far East.

The venture has in fact managed to come through the crisis in better shape than any other Spanish company in its field. But its success is in part a social phenomenon. In other, more individualistic parts of Spain, the co-operative ideal has not thrived so well.

Spain's co-operatives are mainly in the farm sector, devoted to shared services, joint processing and marketing. In other spheres, worker-ownership has had little encouragement either from government, from labour organisations or from the banking establishment.

Spain's 1978 constitution calls on the public authorities to "encourage co-operative societies by means of appropriate legislation." After one unfulfilled plan by the previous centrist administration, the socialist Government is only now in the process of introducing a new law at national level.

In the meantime, regional authorities in the areas where co-operatives are most active—the Basque country, Catalonia, Valencia and Andalucia—have brought out their own regulations, which threaten to clash with the new legislation.

Management buy-outs of companies are still practically unknown in Spain, since banks have shown little interest in backing them. But the presence of new merchant banks and foreign banks could change this picture, especially now that significant segments of Spanish industry are rapidly changing hands in the wake of EEC entry.

David White

Case-study: Computer Management Group

How to achieve low staff turnover

Mr Nick Scholfield, group director of CMG: threequarters of staff own shares

LAUNCHED BY three individuals back in 1964 CMG, the Computer Management Group, now employs more than 1,000 people split almost equally between the UK and the Netherlands, making it one of the most successful of the new breed of employee-owned companies.

Ninety per cent of CMG's staff are computer specialists and the company is divided into a series of specialist companies covering the whole spectrum of computer operations from payroll and accountancy services to information technology and financial services to manufacturing systems.

The list of CMG users includes the UK and Dutch Governments together with a range of top company names such as Chase Manhattan, Pearl Assurance, Jaguar, Ford, British Airways, British Telecom and Mercedes-Benz.

About threequarters of the staff own shares and this according to Mr Nick Scholfield, group director, a veteran of more than 20 years with CMG, brings a degree of commitment and loyalty.

"We find it helps to achieve a low turnover in staff—about half or less than is normal in the computer industry," he argues.

Only employees and close relations can buy shares in CMG and when employees leave, their shares have to be sold. Dealings take place only once a year at the end of June, the process starting at the completion of the annual audit.

In addition to the valuation put on the company by its auditors CMG commissions a merchant bank, this year Lazards, to produce an independent valuation. It changes the merchant bank it uses every two years. The board weighs up the advice received, and sets a share price for the year.

Eligible staff are asked in April if they want to buy or sell. The directors then match buyers and sellers and if necessary make fresh shares available. More shares are being made available, however, as a result of the decision by one of the directors and a founder of the company Mr Doug Gorman to reduce his 19.15 per cent holding on a phased basis to 5 per cent by his retirement.

In March this year the share price was set at £3.10. An employee holding 1,000 shares in April 1976 representing just over a 700th portion of the company, would now find them worth £52,700—a handsome return on an initial investment of £1,250. Since 1958 the value of the shares has improved consistently at the rate of 40 per cent a year.

CMG which entered the Netherlands in 1972 after carrying out an assignment there, plans to increase turnover by 15-20 per cent a year. Turnover last year was £51m and profit £4.6m. This year turnover is forecast at £65m.

James French

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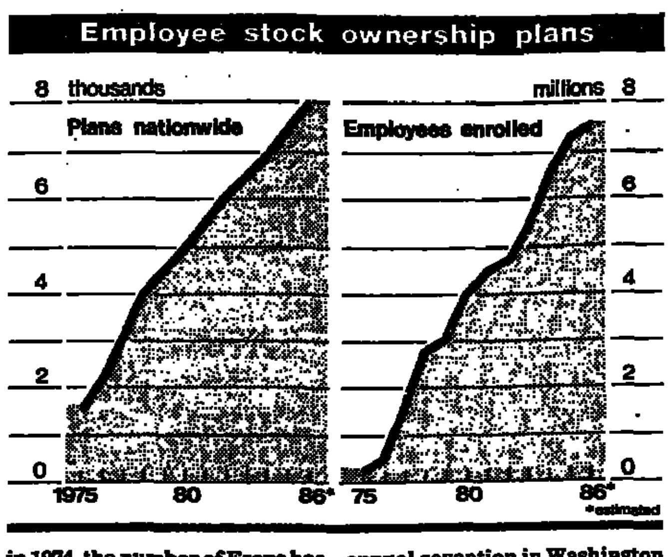
United States

Esops win their spurs



ON MARCH 2 1982 the people of the small steel town of Weirton, West Virginia, discovered that the survival of their community was threatened. After more than 70 years of operation, National Steel, a major US steel company and the owner of the Weirton steel mill, announced that it planned to close the local mill, far and away the biggest employer in a town of 25,000.

What followed was a desperate search for a way to keep the mill open and save the town. It had a happy ending after the workers and the community stumbled upon a relatively new financial device known as the employee stock ownership plan, or Esop for short.

It is a drama which has been played out in a handful of well-publicised situations around the US and has fuelled the popular image that the Esop is a tool for saving failing companies, helping block hostile takeover bids, or the spread of unionisation among the workforce. However, the growing band of Esop supporters are anxious to dispel these images.

"Esops are one of the fastest growing new ideas in American business. From fewer than 300 in 1974, the number of Esops has grown rapidly so that today there are over 9,000 Esops in existence," says the Washington-based Esop Association, the main booster for the concept. Aside from publishing a regular newsletter and actively lobbying on Capitol Hill, the association will host its 10th annual covention in Washington next month at a time when it says that "interest in employee ownership is at an all-time high."

Most of the intellectual thinking about Esops has been pioneered by Mr Louis O. Kelso, a San Francisco investment banker and economist, who has just published his latest book on the subject, Democracy and Economic Power: Extending the Esop Revolution (Ballinger Publishing Cambridge, Mass—$19.95). The publishers describe it as "a 'must read' for anyone concerned about the economic fate of individuals and the future of democratic institutions in our rapidly automating world."

Mr Kelso sees the Esop as "a tool to help restore the economic democracy America once had but lost through technological advance, and to correct the defect in our capitalist system that keeps capitalism from working for the many as well as it does for the few."

Mr Kelso has won quite a backing in the US and his fans range from Senator Russell B. Long, who for many years was the chairman of the Senate Finance Committee and is a leading champion of Esops in the US Congress, to the United Textile Workers of America.

The latter says that an Esop "represents the best vehicle for achieving the ultimate goal of trade unionism: the equitable distribution of wealth between capital and labour."

Mr Kelso estimates that 10m Americans, or 8 per cent of the workforce, are buying all or part of the corporations for which they work, and forecasts that the proportion will rise to 25 per cent by the year 2000 as the popularity of the "peaceable, bloodless ownership revolution" increases.

Mr Kelso writes with the urgency of a prophet firm in the belief of the justice of his cause and a more down-to-earth assessment of the importance of Esops is contained in a report on employee stock ownership plans issued by the US General Accounting Office (GAO) last December. The GAO was set the task of finding out whether Esops are achieving the goals of broader stock ownership and providing a mechanism for corporations to raise capital, and if so, at what cost.

The intellectual underpinnings of official support for Esops in the US is the belief that the concentration of stock ownership, the dependence of firms on internal sources of funds for corporate finance, and the slow growth of productivity in the US are serious and related problems that can be addressed by making employees owners of stock in the companies that employ them.

The GAO's analysis indicates that Esops do provide a broader distribution of stock ownership among covered employees than generally prevails in the US population.

"Esops do appear to broaden the degree of capital ownership within sponsoring firms, but the small number of employees covered and the percentage of all stock held by Esop trusts put an upper limit on the extent of overall expansion of capital ownership in the US associated with Esops," says the GAO report.

The GAO estimates that as of March 1986 there were about 4,800 Esops active in the US and an additional 2,400 similar stock bonus plans. As of 1983, Esops covered more than 7m workers and held nearly $19bn in assets. The study concludes that employers established Esops for a number of reasons, but by far the most commonly cited purposes were to provide a benefit to employees, utilise tax incentives and improve productivity.

The tax incentives for Esops cost an estimated $1.7bn to $1.9bn per year or $13.3bn over the 1977-83 period. "These costs are high, relative to the $19bn in assets participants have accumulated to date," says the GAO.

The GAO study concludes that if Esops are to have more than a limited effect in broadening stock ownership, several conditions would need to change. First, more employees need to be covered by Esops. Second, stock ownership through the plans would need to be made more meaningful to participants.

However, it warns that the goals of increasing the number and size of Esops may be in conflict with expansion of the role of employees in management because many firms might be reluctant to share control with employees, and employees may not have control as a goal. Finally, the GAO says that it is still studying the relationship between the presence of an Esop and the productivity and profitability of a firm. It will issue a separate report on this issue which could go a long way towards resolving the question of whether Esops are little more than a gigantic tax fiddle which make few people very rich or whether they are a key financing tool for "democratising capitalism," as Mr Kelso argues.

William Hall

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Chancellor Nigel Lawson's proposals hold out the prospect of significant tax savings

Budget effects

New dimension to tax relief

ONE OF THE most significant issues for every employee-owned company will be how best to distribute profits to its employees/shareholders.

Dividends and salary bonuses are the two obvious alternatives but last month's Budget has added an intriguing new possibility by introducing tax relief for profit-related pay.

In a company owned by outside shareholders, there will a clearcut distinction between labour costs and profits. However, where employees and shareholders are the same people a much more flexible reward system can be devised. Worker shareholders should be equally happy with a pay cheque or a dividend cheque of the same amount assuming both are equally tax effective.

The only reservation is that it may not always be possible to arrange matters so that each individual receives the same benefit from a dividend as from a bonus, particularly where the distribution of shares in the company is somewhat uneven.

Before starting to consider tax factors, a significant advantage of dividends is the absence of any liability to National Insurance Contributions (NICs). Additional salary will be subject to an employer's contribution of 10.45 per cent without any upper limit. Furthermore, the employee's net return will be eroded by his 9 per cent contribution rate up to a maximum salary of £15,340.

The important advantage of paying extra salary is that it will be tax-deductible whereas dividends are paid out of after-tax profits. The Budget kept the rate of corporation tax for large companies at 35 per cent while reducing the smaller company's rate to 27 per cent. The upper and lower thresholds remain at £500,000 and £100,000.

Tax factors

Type of Payment	Amount	Employee's NICs	Income Tax	Net Amount
Dividend	*1,000	—	270	730
Ordinary Pay	1,000	90	270	640
Profit Related Pay	1,000	90	135	775

* Inclusive of ACT

Apart from non-deductibility, the other potentially adverse consequence to the company of the payment of dividends will be a liability to advance corporation tax (ACT). For dividends paid now ACT is payable at a rate of 27/23rds (36.99 per cent) of the amount of the dividend. ACT can, however, be offset against a company's liability to mainstream corporation tax so that provided a company has sufficient taxable profits to absorb the full amount of ACT paid, it will suffer a cash flow disadvantage, but no other cost.

The positive aspect of ACT is that it gives the shareholder a tax credit which can be offset against the liability arising on receipt of the dividend. Suppose, for example, that Mr A is paid a dividend of £73 on which the company pays ACT of £27. Mr A is treated as having received £100 of income (dividend plus ACT) on which he is credited with having paid tax of £27. Hence, if he is a basic rate taxpayer he will have no further liability.

If Mr A were given extra remuneration of £100 instead of a dividend he would also be left with £73 after payment of basic rate tax.

The Chancellor has now added a new factor to this finely-balanced equation. For the employer, profit-related pay (PRP) will have precisely the same tax consequences as ordinary pay. And there will be no concession on NICs for either employer or employee. (Indeed, if the profit related pay is not subject to NICs then the new tax relief will not be available.) But for employees, the Chancellor's proposals hold out the prospect of significant tax savings.

The term "profit-related pay" is more or less self-explanatory. Under a PRP scheme a part of employees' pay will move up and down in line with the company's profits.

Half of the PRP will be free of income tax up to the point where PRP is 20 per cent of total salary or £3,000 a year, whichever is the lower.

PRP seems tailor-made for employee-owned companies.

The table compares the net benefit which an employee will obtain from £1,000 of the company's post-tax profits, depending upon whether it is received as ordinary pay, profit related pay or dividend. It is assumed that the employee is a basic rate taxpayer earning no more than £14,340 per annum.

It will be noted that although the dividend route is more effective than ordinary remuneration, profit related pay gives the best return of all. The NIC saving on dividends is more than outweighed by the hefty income tax reduction on PRP.

Another profit-linked scheme which merits serious consideration by employee-owned companies is the profit-sharing scheme under the Finance Act 1978. A percentage of profits is paid by the company to the trustees of the scheme who use the money to buy shares in the company which they then distribute among the employees.

The great attraction of a profit-sharing scheme for an employee-owned company is that the payments made to the trustees will generally be tax-deductible. Since the money will go round in a circle the company will, therefore, obtain free tax advantage.

Moreover, employees will pay no income tax on the shares provided they hold on to them for at least five years. If employees are given new shares in proportion to their existing holdings then nothing at all will change and the only tangible result will be the corporate tax saving.

Alternatively, employees may appreciate being given a choice between shares and cash. This might possibly be achieved by operating a profit-sharing scheme in tandem with a profit-related pay scheme.

David Cohen

David Cohen is a solicitor and a partner in Paisner & Co of London, EC4.

Lawyers

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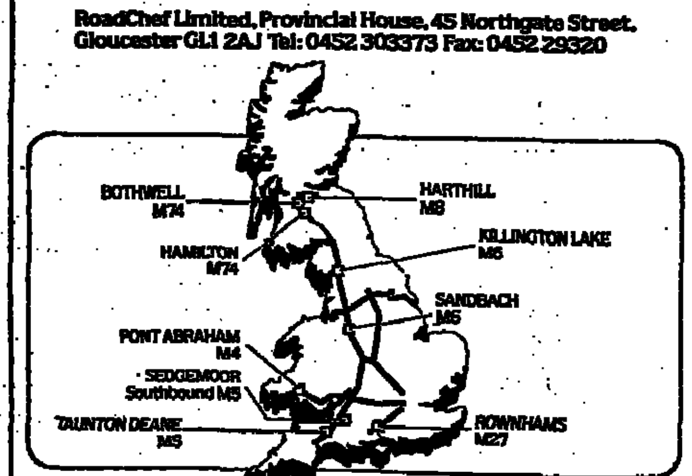


RoadChef

Caring is sharing in RoadChef

A rotating biological contactor for a regional water authority built by Tuke & Bell, a Lichfield engineering company taken over by its employees who include Mr P. E. Sankey, financial director (left) and Mr K. Sanderson, managing director.

Case study: Barnsley Metal Finishing

Bosses on the shopfloor

MANY WORKERS co-operatives come to life in an atmosphere of panic as the single, desperate hope of preventing plant closures and redundancies.

Barnsley Metal Finishing is one such example. In a few hectic weeks during 1984 Barnsley Electro Plating, a Raine Industries subsidiary facing closure, was transformed under the new title as a democratically-run enterprise.

Now Barnsley Council, which assisted in the rescue, has published a booklet telling the story of Barnsley Metal Finishing. The booklet* describes it as in many respects an unremarkable story, "which makes it all the more important as an example to other workgroups who find themselves in a similar situation, and to trade unions and local authorities committed to combating unemployment in practical terms."

The workers at Barnsley Electro Plating, some of whom had been with the company for more than 30 years, returned from their annual holidays in August, 1984, to receive their redundancy notices.

At first it seemed possible that a buyer for the company might be found. The workers describe themselves as spending several weeks on the sideline, hoping and praying that someone would come to their rescue. But a new buyer did not appear, and an attempted management buyout by two managers also failed.

As hopes began to fade, the co-operative alternative gained strength as a possibility, and a meeting of the workforce was called to gauge support for the idea.

"For many this was the first time they had heard of workers' co-operatives," says the booklet. "There was a lot of uncertainty but two over-riding factors stood out. One was the shared belief that the business was viable and that the closure was due to management neglect rather than the poor quality of their own workmanship.

"Secondly, as a workforce they knew each other and were concerned for each other's welfare. They decided to give it a go."

Raine Industries agreed to delay the closure a little, giving the workers three weeks to put the proposed new structure together. The Department of Employment agreed that provided there was at least one day's break between the old company closing and the new one starting, redundancy payments could be made in the normal way.

One of the first painful decisions which had to be faced was the need to reduce the workforce from 21 to 15 to provide any chance of viability. The 15 were selected at a meeting which also agreed to narrow wage differentials in the new business.

Differentials between the highest and lowest paid were reduced from more than 3—1 to less than 2—1. Local authority financial support enabled the workers to obtain matching bank finance, and the co-operative was born.

"One of the biggest dangers facing any co-operative that has converted from being a conventional business is that nothing changes in the way the business is managed," says the booklet. "Even worse is the danger that workers will find themselves with all the responsibilities of managers but none of the powers or skills to control their business."

An outside training specialist was brought in to help tackle these problems and draw up a suitable management structure. Employees were interviewed individually about the changes which were taking place and then attended a residential weekend—the first of three—to work out the objectives of the co-operative.

Initially four sub-committees—Finance, Sales, People and Production—were set up to report to a weekly general meeting of the co-operative. These were later replaced by an executive committee reporting to a fortnightly general meeting.

The production and administration managers of the old company were retained, except that they now report to the executive committee. But the managers lost their responsibility for disciplinary and grievance matters to a disputes panel of the co-operative. It was also decided to abolish supervisors.

Attitudes have, suggests the booklet, begun to change at Barnsley Metal Finishing. It says that workers are more willing to help each other out, and are learning more about the technical aspects of their jobs.

It concludes by quoting an employee who had been with the company only four months when it became a co-operative:

"I was unemployed for over two years before I got this job here. That period made me think a lot about work. Recently I was offered my old job back at the company I used to work for. It's much nearer home and the pay was 50 per cent more. I turned it down. I'm not sure I can really explain why. Somehow it would never be the same again working for someone else. Here we are all our *own* bosses."

Alan Pike

**Barnsley Metal Finishing: From Closure to Co-operation, Barnsley Metropolitan Borough Council; 60p.*

Case study: Tuke & Bell

Ironing out the divisions

TUKE & BELL, in common with most engineering companies, had to shed staff during the years of recession.

Its present 50-strong workforce is only about half the size it used to be. But the surviving employees, most of whom have long service, have received an unusual reward for their loyalty—ownership of the company.

In what is still an unusual experience for a private company in Britain, Tuke & Bell, based at Lichfield, Staffordshire, has been taken over 100 per cent by its employees through a profit-sharing scheme under the 1978 Finance Act.

Tuke & Bell was established in 1912. Its turnover last year was £1.6m, and will be around £2m this year. The management's decision to introduce full employee ownership was based upon a combination of philosophical and practical considerations.

"When we look back over the last 100 years we see a history of divisions between capital and labour," said Mr Philip Sankey, finance director. "I believe the next 100 years will see capital and labour coming much closer together. We wanted to make a contribution to that process in our own company."

In more immediate terms, Mr Sankey admits that an employee ownership structure protects Tuke & Bell—a specialist engineering company which designs, manufactures and installs sewerage treatment equipment—from the risk of takeover.

Work on the plan to convert Tuke & Bell to an employee ownership structure began two or three years ago. At that stage the company had about 20 shareholders. Some were distant relatives of the founder. "About half the 20 did not know where the company was located," said Mr Sankey. "They simply relied on it to produce a little income."

Last year the shareholders were offered double the auditors' value to sell their shares to a newly created trust. Most agreed immediately, and a few doubters were eventually persuaded to accept.

When the directors of Tuke & Bell decided to try to organise an employee take-over they sought advice from City solicitors Paisner & Co on how this could best be achieved.

Paisner & Co recommended the use of a revenue-approved profit sharing scheme under the 1978 Finance Act.

Adopting this advice, the take-over proceeded by the following stages:—

1. Tuke & Bell established a scheme, appointed Trustees and obtained Inland Revenue approval.
2. The Trustees entered into negotiations with the shareholders of the company and agreed a price at which the Trustees would purchase 100 per cent of the shares.
3. The company provided the Trustees with sufficient funds to make the purchase.
4. The purchase was completed and the Trustees became sole owner of the company.

From now on, the Trustees will each year allocate a proportion of the shares to the employees. All full-time employees will be eligible. People who leave the company will have to sell their shares back to the Trustees.

The scheme will confer significant tax advantages on both Tuke & Bell and its employees.

The company's payments to the Trustees will be deductible from its profits for corporation tax purposes. And the employees will not be taxed on the benefit of receiving the shares provided that the shares are not sold—and continue to be registered in the names of the Trustees—for at least five years.

Alan Pike

Guide to advice on co-operatives

WORKERS' co-operatives are a rare phenomenon, basking in approval of all political parties in the present industrial climate. They stand for backs-to-the-wheel patriotism, for biblical zeal and utilisation of resources.

All the relevant signs point to an increasing number of co-operatives being set up, but indicate plenty of scope left for improvement. It is a movement blessed by government support (not enough, some will argue) and generous backing from local authorities.

The following are some of the organisations offering advice to would be co-operatives:

- The Co-operative Development Agency, with national headquarters at Broadmead House, 21, Panton Street, London SW1Y 4DR, was set up by the Labour Government in 1978 with all-party support, has enjoyed the backing of the present Conservative Government in its operations, with state aid of £200,000 a year, plus some topping-up for special projects.

It provides information, education support and training, covering the whole of the UK including Northern Ireland. It represents and promotes the interests of co-operatives to central and local government and other organisations. CDA believes the number of co-operatives in the country is nearing 1,500.

One area identifed as a problem area, on which the CDA has been concentrating efforts, is marketing. Finance, too, is a frequent problem, and the CDA has devised the structure of an equity participation co-op to acquire access to risk capital.

The chairman of the CDA is Mr Ralph Woolf, who is managing director of Scott Bader, a medium-sized common-ownership company in the chemicals and plastics industry. Chief Executive is ex-Unilever executive Mr George Jones. The CDA produces an informative quarterly magazine that keeps co-operatives up-to-date with details of the help available and of government decisions affecting the movement.

One particularly interesting recent launch, reported in the Co-op Developer magazine and under the aegis and support of the CDA, was of the Independent Designers' Society, which has set itself up in premises in Camden, north London.

Seventy young furniture and accessory designers and manufacturers joined together to provide themselves with a co-operatively run marketing organisation. Now they have not only a centre for sales in London, but the hub of a vigorous export drive. A largely D.I.Y effort by these decor professionals produced a handsome showroom assembly, appropriately enough in a thoroughfare called Bruges Place.

- The Industrial Common Ownership Movement, which has offices at 7-8 Corn Exchange, Leeds LS1 7BP, is really the co-operatives' co-operative and is funded by their subscription. The exchange, an interesting piece of architecture, still holds a weekly corn market, but is expected to close in a few months for redevelopment. Last year the organisation registered 200 co-operatives, having had 450 on its books at the end of 1985.

While it could be said to overlap with the officially-backed CDA in the field of advice and support, it is rather more of a pressure group, with its Labour Party links and an ongoing dialogue with the Liberal Party. In partnership with the Greater London Enterprise Board it launched a successful pilot scheme for management training for larger co-ops in London.

ICOM has put forward proposals on taxation and law through its legal working party and introduced information systems through data-base projects and has put out a strong list of publications.

Among other interesting areas of activity where groups opted for a common ownership structure and have signed on with ICOM are importers of wines and spirits from socialist countries, a Chinese advice service, a carnival, a peace centre and two recycling co-ops. Two thriving co-operatives are in health foods, providing melt-in-the-mouth wholemeal bread and, far more cheaply than in chain groceries, a full range of herbs, muesli ingredients and vegetable pulses.

ICOM's general secretary, Mr Peter Milford, said that recently help had been given in a rescue operation for the Highgate Bakery, Goldthorpe, South Yorkshire, where 37 now work as a co-operative in a failed private bakery.

- Yorkshire, by tradition and environment, is a fertile breeding ground for co-operatism and Sheffield is the home of an interesting set-up called South Yorkshire Business Services, Regency House, 75-77 St Mary's Road, Sheffield S2 4AN, which calls itself product development and market research consultants.

These skills, it feels, are often in short supply in small businesses, and particularly co-operatives, where workers have taken over the business after its closure.

SYBS believes that it is quite feasible for organisations devoted to emloyee-control, recognising their weaknesses in such areas as marketing, to buy in outside expertise.

SYBS manager is Mr Andrew Mason, who has experience as an engineer, computer programmer, product manager, market researcher and consultant. He heads a small team with a wide range of experience. Among their recent help projects has been Mons Precision Services (the old name, Snow, turned upside-down). It specialises in the refurbishment of grinding machinery, but is developing a new domestic dehumidifier in co-operation with Sheffield Polytechnic, and was much in need of help with marketing and strategy.

On a really modest scale, when an entrepreneur baled out for a more inviting field, SYBS helped two juniors set up JLC (Yorkshire), which provides computerised cassette duplication for publishers, from master-copies—legitimate work, not piracy. SYBS is half grant-funded, half commercial, charging £70 to £80 a day for expert services.

With support from such organisations as these, plus major initiatives from local authorities, there is a powerful back-up for aspirant and existing workers' co-operatives.

James French

Partnership on the scale of modern industry

The John Lewis Partnership

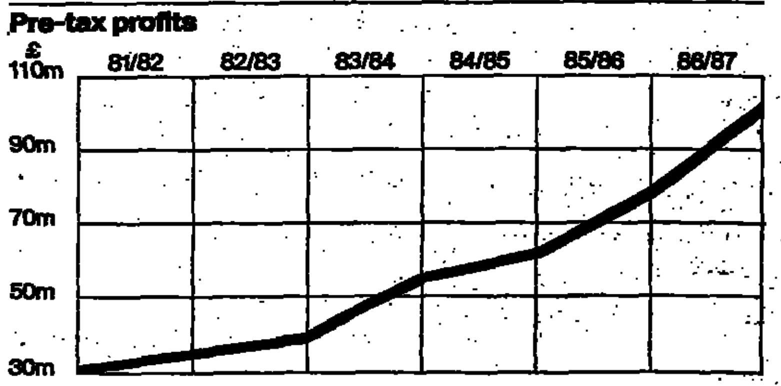
The Partnership is a retail business run on co-operative principles. In 1986/7 sales were £1,568 million and the net assets employed were £401 million.

Comparative sales figures

John Lewis department stores	£m	Index 1982=100	National non-food retailers Index 1982=100
1982/3	500.1	100	100
1983/4	572.4	114	110
1984/5	638.1	128	118
1985/6	718.5	144	129
1986/7	822.6	164	140
Waitrose food stores	**£m**	**Index 1982=100**	**National food retailers Index 1982=100**
1982/3	411.6	100	100
1983/4	487.6	118	108
1984/5	553.7	135	116
1985/6	634.1	154	125
1986/7	725.8	176	134

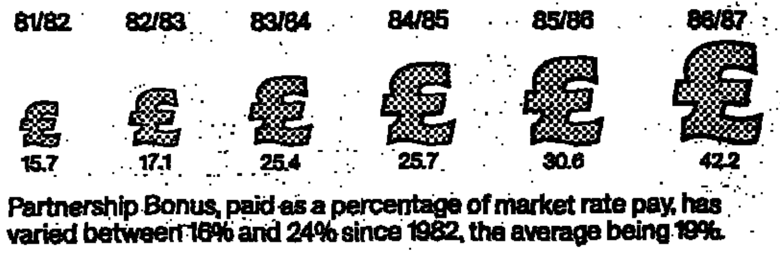
The business belongs to those who work in it. All except those engaged temporarily are Partners from the day they join, and all the ordinary share capital is held by trustees on their behalf.

Pre-tax profits



Under irrevocable trusts Partners get all the profits, after provision for prudent reserves and for interest on loans and fixed dividends on preference stocks. Distribution is made direct in the form of Partnership Bonus, shared among Partners at the end of the trading year as a percentage of their pay; in March 1987 this amounted to £42 million and the rate of distribution was 24 per cent of each Partner's pay. Bonus payments are made in addition to market rate pay.

Total cash bonus in £ million



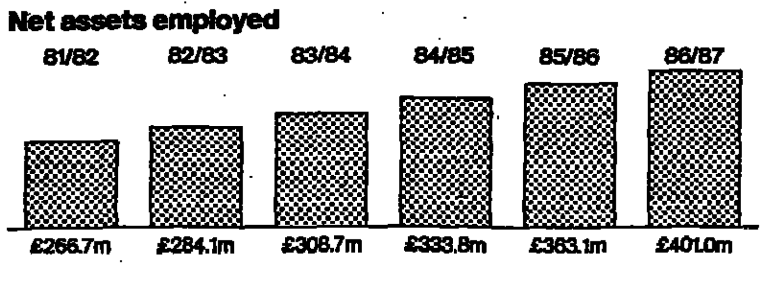
Partnership Bonus, paid as a percentage of market rate pay, has varied between 16% and 24% since 1982, the average being 19%.

The principal authorities in the Partnership under its written constitution are the Chairman; the Central Council, representing all Partners; and the Central Board (the Board of John Lewis Partnership plc), five of whose twelve directors are elected by the Central Council.

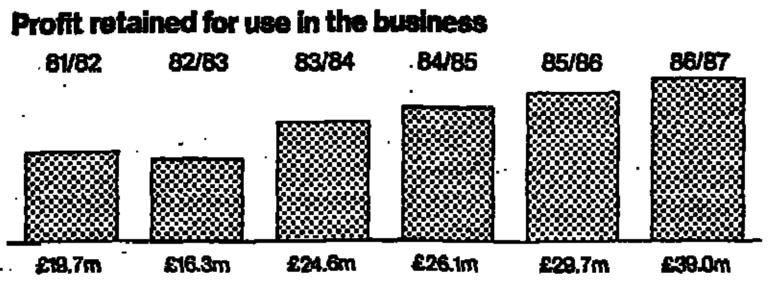
The Chairman, Mr Peter Lewis

The Partnership aims to run its business efficiently and competitively, and at the same time to enable its members to enjoy full information about it, to express their views freely, to co-operate in shaping its policies, and to share in its rewards. Management is accountable to the general body of Partners, in particular through elected Councils and through the Partnership's journalism.

Net assets employed



Profit retained for use in the business



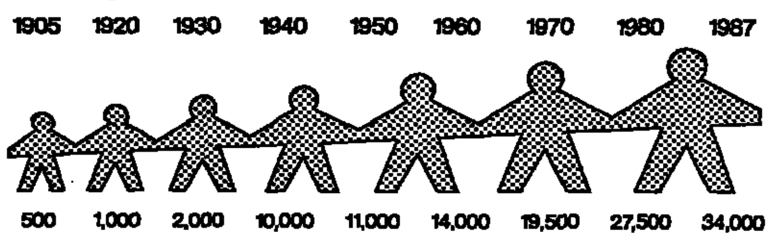
In April 1987, the John Lewis Partnership has 21 department stores and 83 Waitrose supermarkets. Ancillary to these are a textile print works and weaving mill; production units for kitchen and cane furniture, beds and quilts; and a 4,000 acre farm.

The Partnership's leisure facilities include two residential country houses on a Hampshire estate with a camp and a golf course; a country club and golf course at Cookham; a residential house in Ambleside; and the permanent lease of Brownsea Castle on Brownsea Island in Poole Harbour. The Partnership also owns a fleet of four ocean-going yachts based on the River Hamble in Hampshire.

Pension scheme

There is a non-contributory pension scheme for Partners which has assets in excess of £200 million.

Employees



Business expansion

Between 1970 and 1990 the selling area of Partnership department stores will have doubled. Waitrose will have increased the number of its supermarkets from 39 in 1970 to more than 90 in 1990.

In 1970 there were 16 department stores.

In 1986 there were 21 department stores.

By 1990 four new department stores will be built.

At Kingston the only new free-standing major department store in Britain is under construction. It enjoys a Thames-side frontage.

In Aberdeen a major department store is being constructed from an existing building.

At High Wycombe a department store will be constructed beside the M40.

In Watford a new department store is being built on a fresh site which is twice the size of the existing building.

The Partnership's aims

"The Partnership's supreme purpose is to secure the fairest possible sharing by all its members of the advantages of ownership – gain, knowledge and power; that is to say, their happiness in the broadest sense of that word so far as happiness depends upon gainful occupation."

The Founder, John Spedan Lewis (1885-1963)

The John Lewis Partnership

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange.

Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the issued share capital of Rockwood Holdings Plc in the Unlisted Securities Market. It is emphasised that no application has been made for these securities to be admitted to Listing.

ROCKWOOD HOLDINGS Plc

SHARE CAPITAL

Authorised	Issued
£1,525,000	£1,021,899

in Ordinary Shares of 10p each

Business

Rockwood's two principal activities at present are the distribution of electronic components and the provision of specialist security services. Subject to shareholders' approval on 16th April, 1987 Rockwood will be acquiring Bonds, a specialist distribution group operating mainly in the tobacco industry, from Hanson Trust PLC.

Full particulars of the Company are available through the Extel Unlisted Securities Market Service. Copies of Extel Cards can be obtained during normal business hours on any weekday (excluding Saturdays and public holidays) up to and including 5th May, 1987 from:

Lloyds Merchant Bank Limited, 40-66 Queen Victoria Street, London EC4P 4EL

Chase Manhattan Securities, 72/73 Basinghall Street, London EC2V 5DP

and The Stock Exchange

13th April, 1987

FINANCIAL TIMES SURVEY

The Financial Times proposes to publish a

BUSINESS TRAVEL SURVEY

on 7 May 1987

The following subjects will be covered:

1. Controlling the costs
2. Airlines and the Business Traveller
3. Air Charter
4. Airline Flights—How to pay less
5. Hotels
6. Car Rental
7. Rail Travel
8. The International Business Traveller
9. The UK Business Traveller
10. Taking Money Abroad
11. Incentive Travel
12. Conferences and Exhibitions
13. Women Travellers
14. Spouses
15. Travelling Gadgets

All editorial comment should be addressed to the Surveys Editor.

A full editorial synopsis and information about advertising can be obtained from:
TIM KINGHAM
telephone 01-248 8000 ext 3506,
or your usual Financial Times representative

The content, size and publication dates of Surveys in the Financial Times are subject to change at the discretion of the editor.

Guernseygas
Group of Companies

GUERNSEY GAS LIGHT COMPANY LIMITED
PO Box 70, Sydney Vane House, Rue du Commerce
St. Peter Port, Guernsey, Channel Islands

PRELIMINARY ANNOUNCEMENT TO SHAREHOLDERS

Summary of main figures taken from the Group Consolidated Accounts for the year ended 27th December 1986.

	Year ended 27.12.86 £000	Year ended 28.12.85 £000
Turnover	51,726	36,301
Profit before exceptional item	2,080	1,268
Exceptional profit	220	—
Operating profit	2,300	1,268
Shares of profits of associated companies	276	272
Dividends and interest receivable	53	56
Interest payable	(195)	(217)
Profit on ordinary activities	2,434	1,379
Taxation	(585)	(279)
Profit on ordinary activities after tax	1,849	1,100
Extraordinary items	(200)	(125)
Dividend net as proposed	(624)	(499)
Profit retained	1,025	476
Shareholders funds	11,819	10,775
Earnings per share before tax	46.8p	26.5p
Earnings per share after tax	35.5p	21.2p
Dividend per share gross	15.0p	12.0p

The further increase in turnover is due to growth in all aspects of our business and in particular to the continuance of the sales of vehicles into the hire car fleets on a short term leasing basis, which has been at an exceptional level.

The reduction in the price of Liquefied Petroleum Gases during *the year enabled two gas price reductions to be made* which resulted in a substantial increase in demand for gas central heating and other appliances.

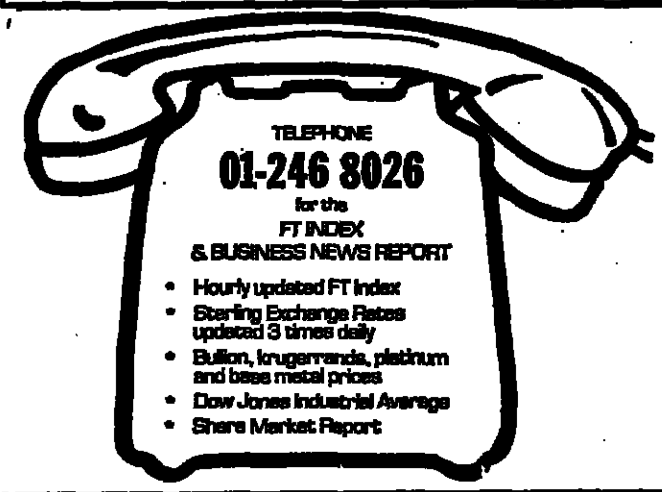
All departments and companies within the group have contributed in good measure to the improvement in profit and the Board express their appreciation to all employees for the excellence of the results. In recognition of their efforts, a bonus payment is to be made to each employee, available either as a cash payment or as shares in the company.

The Directors propose a final dividend of 8p, making 15p for the full year 1986.

The Annual General Meeting will take place on Friday 22nd May 1987 at 2.30 p.m. at Vale Douzaine Room, Vale, and the Report and Accounts will be posted to all shareholders on 8th May 1987.

By Order of the Board
M. R. HILSON
Company Secretary

9th April 1987



APPOINTMENTS

Scottish head for Lloyds Bank

Mr Nigel Whiteley is the new chief manager of Scotland for LLOYDS BANK in succession to Mr Laurie Dean who is retiring. Mr Whiteley began his career in industry with Courtaulds and then moved to the Bank of Montreal. He subsequently joined Lloyds Merchant Bank in 1978 and worked in capital markets, and then project and export finance. Since November 1983 he has been at the bank's head office in the corporate banking division.

★

GOLDMAN SACHS INTERNATIONAL has appointed Mr Charles K. Brown as vice president in the investment research department, where his responsibilities will include analysis of the European chemical and health care industries and the development of the UK research coverage.

★

W. S. MOODY HOLDINGS has appointed Mr John F. Woodhead to the board of Hinton Hill Aviation as managing director.

★

Mr Peter Gardiner has joined PA DESIGN as marketing director. He was with Hoskins.

★

HIGH TECHNOLOGY GROUP has appointed two new associate directors, Mr Peter Kelly and Mr Max Goodison.

★

Joining QUADREX SECURITIES is Mr David Prior, commercial director of British Steel Corporation and chairman of British Steel Services Centres. Also joining from BSC is Mr Geoffrey Wilkinson, where he is manager, mergers and investments. Mr Wilkinson will join Quadrex on May 1 and Mr Prior on June 1.

★

THE ABERDEEN EXHIBITION AND CONFERENCE CENTRE has appointed Mr David James as marketing director. He was general manager and chief executive officer of the Edmonton Convention and Tourism Authority, Canada.

★

Mr Alan R. Fryer has been appointed to the board of SMITH & NEPHEW ASSOCIATED COMPANIES. He is currently managing director of the Smith & Nephew UK consumer division.

★

BELHAVEN has appointed Mr J. M. Cowie as company secretary and group financial controller. He was finance director with oil service company Seaforth Maritime.

★

Mr Gary Burckitt has been appointed managing director of WEIR DRILLING. He was a director and general manager. Mr Angus Grant has been named a director, technical services.

★

Mr Peter K. Brimacombe will be joining the board of INCHCAPE PACIFIC in May as director of buying services. Inchcape Pacific is the new Hong Kong headquarters for the Pacific region operations of Inchcape. Mr Brimacombe will be based in Hong Kong, with responsibility for the worldwide operations of Dodwell International Buying Offices, Labtest and Teen Distribution. A main board director of House of Fraser, he was group merchandise and marketing director.

★

FRAME CLOTHING has appointed Mr Tom McCallum as production director; Mr George Campbell as sales director and Miss Claire Rael-Brook as design director.

★

SALOMON BROTHERS INTERNATIONAL, London, has named Mr John N. Daly, vice president, to head international equity capital markets. Previously he worked in the equity syndicate department of Salomon Brothers' New York office.

★

Lord Boardman, chairman of National Westminster Bank, has been elected chairman of the committee of London and Scottish Bankers in succession to Sir Donald Barron, chairman of Midland Bank.

★

Mr Ken Miller has been appointed managing director of HUNTING PETROLEUM SERVICES.

★

Mr Barry Willmore has been appointed sales director of AIWA (UK). He joins from Moulinex where he was UK sales director.

★

THE BELHAVEN BREWERY CO, brewing division of Belhaven, has appointed Mr Ron Hain and Mr John Rutherford to the board as marketing director and regional sales director respectively.

★

Mr John K. Pitts chairman and chief executive of TIOXIDE GROUP will retire on October 6. Mr K. F. Plant, managing director (operations), will become chief executive. Mr Ian G. Butler, a non-executive director, and chairman of Cookson Group will become chairman of Tioxide.

★

COOKSON GROUP is separating the roles of the chairman and the chief executive. On June 1 Mr Michael Henderson becomes chief executive. He joined the group in 1965, was appointed to the board in 1975 and became a managing director in 1979. Mr Ian Butler, who has been executive chairman of the group, will continue as chairman and, in addition, will become chairman of Tioxide Group.

★

DELYN PACKAGING has reorganised its board. The present combined responsibilities of chairman and managing director have been split. Mr Paul Norman, who in November purchased 29.65 per cent of the equity of the company, has been appointed chairman. Mr F. Ifor Jones will continue as managing director. Mr Henry Prevezer, chairman of Forward Technology Industries, has been appointed a non-executive director. The rest of the re-organised board is: Mr M. Braun, financial director and company secretary; Mr Derek Lowthe, plastics division director; and Dr T. John Norris, non-executive.

CONTRACTS

£30m treatment plant for Sizewell 'B'

DAVY McKEE NUCLEAR, Stockton-on-Tees, nuclear engineering arm of Davy Corporation, has been appointed by the Central Electricity Generating Board to design, supply and construct the treatment plant for radioactive waste at the Sizewell "B" nuclear power station recently given the go-ahead by the Secretary of State for Energy, Mr Peter Walker.

The contract for the Radwaste plant awarded by the CEGB, worth over £30m, is due for completion by the end of 1992. The 1175 MW capacity power station will be the first pressurised water reactor type to be built in the UK.

The Sizewell "B" Radwaste plant will treat various solid, liquid and gas waste streams emanating from the operation of the power station. The radioactive components of these streams will be segregated prior to encapsulation in a neutral medium in preparation for final disposal at authorised sites.

★

AMPEX CORP has won international orders for television broadcast equipment worth more than US$20m during the first quarter of 1987. The orders are for television broadcast equipment and tape, and cover facility design and installation for production studios, editing suites and mobile TV vans. They include the following:

Television New Zealand has awarded a US$75m contract to supply and install a network operations centre in Aukland. Installation will be completed in early 1988.

Kenya's state broadcasting network has placed orders worth about US$3.8m for three remote TV vans and other broadcast equipment to be used initially for the All-Africa Atheltic Games in the autumn.

The Virgin Group of London has purchased over US$2m worth of equipment for a production studio and editing suite for Superchannel, a new European television network.

In Canada a new post-production firm, Command Post, has bought a US$1.9m editing suite and American Broadcasting Co in Calgary, Alberta, is leasing Ampex video recorders and temporary editing suites for use in the 1988 Winter Olympics Games under a US$1.4m contract.

Digital Visions of Salzburg, Austria, has placed an order for US$1.4m with Ampex for equipment and installation of a post-production studio.

★

M/A-COM INC has received a US Army contract for the production and support of terminals capable of receiving messages from the Defence Satellite Communications System. The contract has an initial value of US$3.7m (£2.3m) and a potential value of US$17m (£10.5m). Production is expected to start in March 1989.

★

A Dutch joint venture has been awarded a £7.5m contract by N.V. Provinciale Limburgse Electriciteits—Maatschappij for the civil engineering work in connection with a 13 MW hydro electric power station on the River Maas at Linne in south east Holland. The joint venture has engaged EDMUND NUTTALL to provide the services and technical support to sink the caisson, which will form the machine chamber. The reinforced concrete structure 40 metres sq in plan weighing 30,000 tonnes with a final depth of 20 metres will be constructed on the river bakn adjacent to an existing 4 metre high weir, and sink as a pneumatic caisson through gravel to its final position 14 metres below river level. Mechanical excavators will remove the gravel from the working chamber through four Gowring Blister Locks. Pressure within the 3 metre high working chamber is expected to reach 1.4 bar at the final depth. On founding the working chamber will be filled with 1,000 cm of mass concrete. The intake and outfall channels will then be excavated bringing the total excavation to 400,000 cm.

★

UNITED KINGDOM CONSTRUCTION AND ENGINEERING CO has been awarded two contracts for BP Petroleum Development at its Dimlington Gas Terminal, Dimlington. One contract is for high integrity pipework, valued at around £1m and the other is for the mechanical equipment and pipework installation contract, valued at £3m.

The company has also been awarded three contracts, totalling about £5m on the Shell Stanlow upgrading project. The contracts include the fabrication and erection of over 36,000 metres of pipework including stainless, chrome moly and carbon, plus the installation of vessels, exchangers, pumps and work associated with the CO2 fired heater. The scheme will absorb almost 250,000 manhours and will have a site labour in excess of 300 operatives at its peak. The work has already commenced and is programmed for phased completion from the middle of 1987 onwards. United Kingdom Construction and Engineering Co is a member of the Tilbury Group.

15th MAY 1987 REDEMPTION

GESTETNER HOLDING B.V.
£10,000,000 11% STERLING FOREIGN CURRENCY BONDS 1988

REDEMPTION OF BONDS

Gestetner Holding B.V. announces that for the redemption period ending on 15th May 1987 it has purchased and cancelled bonds of the above Loan for £395,000 nominal capital and tendered them to the Trustee.

The nominal amount of bonds to be drawn for redemption at par on 15th May 1987 to satisfy the Company's current redemption obligation is accordingly £105,000 and the nominal amount of this Loan remaining outstanding after 15th May 1987 will be £5,963,000.

DRAWING OF BONDS

Notice is accordingly hereby given that a drawing of bonds of the above Loan took place on 3rd April 1987 attended by Mr. William Brignall Kennair of the firm of John Venn & Sons, Notary Public, when 105 bonds for a total of £105,000 nominal capital were drawn for redemption at par on 15th May 1987, from which date all interest thereon will cease.

The following are the numbers of the bonds drawn:

18	75	236	379	498	807	883	915	921	1299	1303	1311	1371	1538	1608	1736	1745	1776	1998	2041
2404	2493	2497	2671	2866	2971	3245	3334	3387	3614	3660	3989	5049	5105	5353	5394	5396	5415	5422	5774
5812	5896	5968	6029	6038	6294	6386	6618	6731	6758	6791	6798	6925	6936	6973	7039	7083	7093	7102	7155
7525	7543	7712	7759	7873	7883	7956	7978	8010	8077	8102	8133	8136	8336	8347	8390	8452	8484	8510	8550
8588	8677	8712	8878	8932	8968	8972	9066	9090	9155	9343	9379	9404	9443	9447	9486	9512	9579	9718	9727
9816	9822	9847	9905	9986															

Witness: W. B. Kennair, Notary Public.

The above bonds may be presented for payment of the proceeds of redemption at par on or after 15th May 1987 at the offices of the paying agents named on the bonds in the manner specified in Condition 6 of the Terms and Conditions of the Loan printed on the reverse of the bonds. Each of these bonds when presented for redemption must bear the coupon dated 15th May 1988, and subsequent coupon, otherwise the amount of the missing coupons will be deducted from the principal to be repaid.

Bondholders electing to receive payment in U.S. Dollars must give irrevocable written notice to any Paying Agent named on the reverse of the bond on or before 30th April on the appropriate form available from a Paying Agent.

Principal Paying Agent: N M Rothschild & Sons Limited New Court St. Swithin's Lane London EC4P 4DU

13th April 1987

This notice complies with the requirements of the Council of The Stock Exchange and does not constitute an offer of, or invitation to subscribe for or purchase, any Securities. The Securities referred to below have not been registered under the United States Securities Act of 1933 and may not be offered, sold or delivered directly or indirectly in the United States of America, its territories or its possessions or to United States persons.

Metal Box p.l.c.

(Incorporated in England with limited liability)

£65,000,000

5¾ per cent. Subordinated Convertible Bonds Due 2002
Convertible into Ordinary Shares of
Metal Box p.l.c.

Issue Price 100 per cent.

Initial Conversion Price 262 pence

The following have agreed to subscribe or procure subscribers for the Bonds:

Swiss Bank Corporation International Limited

Baring Brothers & Co., Limited	Morgan Stanley International
Banque Bruxelles Lambert S.A.	Banque Nationale de Paris
Cazenove & Co.	Citicorp Investment Bank Limited
Credit Suisse First Boston Limited	Deutsche Bank Capital Markets Limited
Dresdner Bank Aktiengesellschaft	The Nikko Securities Co., (Europe) Ltd.
Swiss Volksbank	Union Bank of Switzerland (Securities) Limited

S. G. Warburg Securities

Julius Baer International Limited	Banca del Gottardo
Banca della Svizzera Italiana	Compagnie de Banque et d'Investissements, CBI
HandelsBank N.W. (Overseas) Ltd.	Leu Securities Limited
Lombard Odier International Underwriters S.A.	Pictet International Ltd.

Application has been made to the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange") for the Bonds to be admitted to the Official List subject only to the issue of the temporary Global Bond. Interest is payable annually in arrear on 28th April, the first payment being made on 28th April, 1988. Listing Particulars with regard to the Bonds may be obtained during usual business hours up to and including 14th April, 1987 from the Company Announcements Office of The Stock Exchange and up to and including 24th April, 1987 from Metal Box p.l.c. at Queens House, Forbury Road, Reading RG1 3JH and from:

Swiss Bank Corporation International Limited, Three Keys House, 130 Wood Street, London EC2V 6AQ

Cazenove & Co., 12 Tokenhouse Yard, London EC2R 7AN

Bankers Trust Company, Dashwood House, 69 Old Broad Street, London EC2P 2EE

13th April, 1987

BANCA COMMERCIALE ITALIANA

The Stockholders of Banca Commerciale Italiana are called to an Ordinary General Meeting to be held at Piazza Belgioioso 1, Milan, Italy, at 10 a.m. on 28th April 1987, and if necessary for the second time of convening on 29th April 1987, at the same time and place, to resolve the following

Agenda

1) Report of Board of Directors
2) Report of Board of Auditors
3) Submission of Balance Sheet at 31st December 1986 and resolutions arising therefrom
4) Appointment of Board of Directors

Holders of shares bearing the right to vote are entitled to take part in the General Meeting provided, that they, even if already registered in the Share Register, have deposited their shares with the Bank or with Monte Titoli at least five days before the date of the General Meeting, in accordance with the provisions of Art. 4 of Law No. 1745 of 29th December 1962.

The Chairman
of the Board of Directors

INTERNATIONAL COLLABORATION IN AEROSPACE
– Problems, Progress & Prospects

Paris
9 & 10 June, 1987

For information please return this advertisement, together with your business card, to:

Financial Times Conference Organisation
Minster House, Arthur Street, London EC4R 9AX.
Alternatively,
telephone 01-621 1355 telex 27347 FTCONF G.
fax: 01-623 8814

CCF

CREDIT COMMERCIAL DE FRANCE

U.S.$100,000,000 Floating Rate Notes due 1992

For the sixth month period
10th April, 1987 to 13th October, 1987 the notes will carry an Interest Rate of 6.7375% per annum, with a coupon amount of US$348.10 per US$10,000 Note payable on 13th October, 1987

Listed on the Luxembourg Stock Exchange by

Bankers Trust Company, London — Agent Bank

Forretningsbanken A/S

(Incorporated in the Kingdom of Norway with limited liability)

U.S. $30,000,000
Floating Rate Subordinated Notes due 1997.

Holders of Floating Rate Subordinated Notes of the above issue are hereby notified that for the Interest Period from 14th April, 1987 to 14th July, 1987 the following information is relevant:

1. Applicable *interest rate:* 6 ¹³⁄₁₆ % per annum
2. Coupon Amount payable on Interest Payment Date: US $172.20 per US $10,000 Nominal
3. Interest Payment Date: 14th July, 1987

Agent Bank
Bank of America International Limited

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY APRIL 10 1987					DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	1987 High	1987 Low	Year ago (approx)
Australia (94)	132.17	+1.0	120.48	122.63	2.86	132.17	99.92	93.00
Austria (16)	93.83	+0.8	85.53	88.20	1.94	101.62	91.97	79.39
Belgium (47)	120.20	+1.1	109.56	111.60	4.17	120.20	96.19	77.97
Canada (131)	134.40	-0.1	122.51	126.76	2.19	136.17	100.00	98.66
Denmark (39)	113.73	+0.2	103.67	105.53	2.37	124.10	98.18	105.14
France (122)	118.78	+0.3	108.27	111.97	2.30	120.79	98.39	82.69
West Germany (90)	93.43	-1.5	85.17	87.70	2.10	100.33	84.00	89.13
Hong Kong (45)	109.81	+0.1	100.09	109.98	3.20	114.71	96.89	72.32
Ireland (14)	119.73	-0.9	109.14	114.18	3.69	131.44	99.50	89.48
Italy (76)	104.80	+1.8	95.53	100.65	1.59	104.80	94.76	77.94
Japan (458)	146.42	+4.4	133.46	131.84	0.49	146.42	100.00	68.09
Malaysia (36)	141.11	+1.0	128.62	134.78	2.85	141.11	98.24	71.93
Mexico (14)	155.25	+2.8	141.51	193.59	1.05	157.12	99.72	54.54
Netherland (38)	116.55	-1.0	106.24	108.33	4.03	118.24	99.65	85.20
New Zealand (27)	96.20	-0.2	87.68	88.75	3.06	100.59	83.93	64.52
Norway (25)	131.52	+0.5	119.88	121.21	1.97	131.52	100.00	101.42
Singapore (27)	121.56	+0.0	110.81	119.68	3.12	122.51	99.29	56.95
South Africa (61)	182.85	+8.1	166.67	117.57	3.23	182.85	100.00	100.19
Spain (43)	112.87	+3.4	102.88	108.72	3.73	121.31	100.00	73.38
Sweden (33)	116.28	-0.8	105.99	108.67	2.11	117.26	90.85	87.63
Switzerland (51)	98.77	-0.1	90.03	91.55	1.83	104.06	93.26	80.88
United Kingdom (342)	127.68	-0.8	116.38	116.38	3.65	133.88	99.65	99.91
USA (598)	119.96	-0.2	109.35	119.96	3.09	124.06	100.00	99.19
Europe (936)	114.01	-0.3	103.93	105.74	2.96	115.20	99.78	90.06
Pacific Basin (687)	144.46	+4.2	131.67	130.62	0.64	144.46	100.00	69.02
Euro-Pacific (1623)	132.31	+2.6	120.60	120.70	1.44	132.31	100.00	77.31
North America (729)	120.72	-0.2	110.04	120.35	3.04	124.60	100.00	99.17
World Ex. US (1829)	132.94	+2.6	121.18	120.98	1.49	132.94	100.00	78.29
World Ex. UK (2085)	127.90	+1.8	116.58	121.21	1.93	127.90	100.00	85.24
World Ex. So. Af. (2366)	127.52	+1.5	116.24	120.74	2.07	127.52	100.00	86.40
World Ex. Japan (1969)	119.06	-0.1	108.53	115.20	3.01	121.08	100.00	95.29
The World Index (2427)	127.87	+1.5	116.56	120.75	2.08	127.87	100.00	86.49

Base values: Dec 31, 1986 = 100

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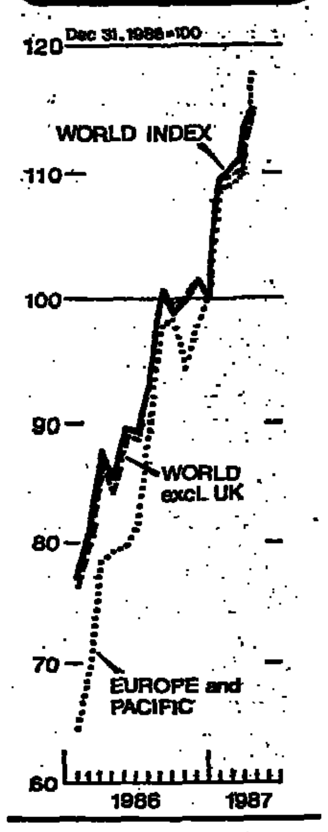
Latest prices not available

FT-ACTUARIES WORLD INDICES



EUROPEAN OPTIONS EXCHANGE

Series		May 87 Vol.	May 87 Last	Aug 87 Vol.	Aug 87 Last	Nov 87 Vol.	Nov 87 Last	Stock
GOLD C	$390	40	46	—	—	—	—	$432.20
GOLD C	$400	72	35.10	13	45	—	—	"
GOLD C	$420	370	19.80A	76	31.90	36	41	"
GOLD C	$440	1589	10.50	283	20.70	76	30	"
GOLD C	$460	1023	4.50	408	14	75	20A	"
GOLD C	$480	547	2.20	—	—	—	—	"
GOLD P	$370	—	—	—	—	55	2	"
GOLD P	$380	—	—	—	—	80	3.50	"
GOLD P	$390	—	—	75	2.50	40	4.50	"
GOLD P	$400	50	1.50A	235	5	35	7.50B	"
GOLD P	$420	414	4.50	35	9.10	5	12.10	"
GOLD P	$440	246	13.50	—	—	—	—	"
GOLD P	$460	210	30	—	—	5	30	"
		Jun 87		Sep 87		Dec 87		
SILVER C	$650	26	60	—	—	—	—	$688
SILVER C	$700	117	23A	110	50	24	60A	"
SILVER P	$650	70	10A	—	—	—	—	"
SILVER P	$700	7	30A	232	45	—	—	"
		Apr 87		May 87		Jun 87		
$/FI C	FL200	44	4.80A	22	5.60	—	—	FL204.35
$/FI C	FL205	54	1.40	45	2.20	26	3.40B	"
$/FI C	FL210	17	0.30	30	0.90	14	1.80	"
$/FI C	FL215	—	—	—	—	10	0.90	"
$/FI C	FL235	—	—	—	—	80	0.10	"
$/FI P	FL200	7	0.30	270	1.50	1117	2.80	"
$/FI P	FL205	177	2.40	34	3.35	21	4.70	"
		Sep 87		Dec 87		Mar 88		
$/FI C	FL200	—	—	—	—	12	10.60	FL204.35
$/FI C	FL205	16	5.60	16	6.80	4	8	"
$/FI C	FL210	—	—	4	4.90	—	—	"
$/FI C	FL215	—	—	4	3	57	4.50	"
$/FI C	FL220	—	—	62	2.50	—	—	"
$/FI C	FL235	—	—	50	0.60	—	—	"
$/FI P	FL205	26	7.40	12	9.10B	—	—	"
		Apr 87		Jul 87		Oct 87		
ABN C	FL540	317	2.50	169	15.50	71	22.50	FL523
ABN P	FL520	252	5	48	21.10	19	32	"
AEGON C	FL95	120	0.80B	185	4	39	5.80	FL93.20
AEGON P	FL90	—	—	72	4	16	5.50	"
AHOLD C	FL110	54	1.80	88	5	3	8.50	FL108.50
AHOLD P	FL110	142	2.70	47	6.80	10	8.50	"
AKZO C	FL140	528	1.30	149	4.30	9	7.50B	FL137.90
AKZO P	FL140	619	3	91	9.70A	23	10.80A	"
AMEV C	FL70	48	0.90	80	2.60	16	4	FL67.50
AMEV P	FL70	84	3	192	3.50	—	—	"
AMRO C	FL85	117	0.70B	386	3.40	77	4.70	FL83.80
AMRO P	FL85	512	4.40	146	5.40	30	6.80	"
ELSEVIER C	FL260	125	3.50	44	12.50	—	—	FL260
ELSEVIER P	FL250	32	1.50	39	8	—	—	"
GIST-BROC. C	FL45	456	0.60	149	2.60	—	—	FL44.30
GIST-BROC. P	FL45	174	1.50A	36	3.50	15	4	"
HEINEKEN C	FL170	317	7.90B	31	11.50	—	—	FL176.50
HEINEKEN P	FL180	116	3.60	—	—	—	—	"
HOOGOVENS C	FL35	78	1.10	324	2.70	47	4	FL34.70
HOOGOVENS P	FL35	217	1.20	196	3.80	110	5	"
KLM C	FL40	311	1.10	130	3.10	91	4.90	FL40.60
KLM P	FL40	102	0.50	56	2.20	78	4	"
NED. LLOYD C	FL170	139	1.80	18	9.80	5	10	FL177
NAT. NED C	FL80	94	0.40	400	2.60	103	3.40	FL75.40
NAT. NED. P	FL70	—	—	113	1.60	10	3	"
PHILIPS C	FL55	165	0.30	997	1.40	238	2.70	FL50.20
PHILIPS P	FL50	417	1	210	2.30	118	3	"
ROYAL DUTCH C	FL250	695	3.10	1140	6.90	337	8.80	FL248.20
ROYAL DUTCH P	FL250	826	4.90A	502	13.50	37	17	"
ROBECO C	FL105	—	—	37	1.30	10	1.90	FL100.40
ROBECO P	FL105	25	5	30	4.50B	2	58	"
UNILEVER C	FL600	327	6.50	256	21A	66	29.50	FL595
UNILEVER P	FL580	173	3.30	104	15.50	2	19	"

TOTAL VOLUME IN CONTRACTS: 44,474

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	10	● Charterhouse Bank	10	● Morgan Grenfell	10
Adam & Company	10	Citibank NA	10	Mount Credit Corp. Ltd.	10
Allied Arab Bk Ltd.	10	Citibank Savings	¶12.45	Nat Bk. of Kuwait	10
Allied Dunbar & Co.	10	City Merchants Bank	10	National Girobank	10
Allied Irish Bank	10	Clydesdale Bank	10	Nat Westminster	10
American Exp. Bk.	10	Comm. Bk. N. East	10	Northern Bank Ltd	10
Amro Bank	10	Consolidated Cred	10	† Norwich Gen. Trust	10
Henry Ansbacher	10	★ Co-operative Bank	10	PK Finans. Intl (UK)	10½
ANZ Banking Group	10	Cyprus Popular Bk.	10	Provincial Trust Ltd.	11
Associates Cap Corp	11	Duncan Lawrie	10	R. Raphael & Sons	10
Authority & Co Ltd	10½	E. T. Trust	11	Roxburghe G'rantee	10½
Banco de Bilbao	10	Equatorial Tst C'p plc	10	Royal Bk of Scotland	10
Bank Hapoalim	10	Exeter Trust Ltd.	10½	Royal Trust Bank	10
Bank Leumi (UK)	10	Financial & Gen. Sec.	10	Standard Chartered	10
Bank Credit & Comm.	10	First Nat. Fin. Corp	11	Trustee Savings Bank	10
Bank of Cyprus	10	First Nat. Sec. Ltd.	11	UDT Mortgage Exp.	¶11.1
Bank of Ireland	10	● Robert Fleming & Co.	10	United Bk of Kuwait	10
Bank of India	10	Robert Fraser & Ptrs.	11½	United Mizrahi Bank	10
Bank of Scotland	10	Grindlays Bank	‡10	Unity Trust PLC	9½
Banque Belge Ltd.	10	● Guinness Mahon	10	Westpac B'nking Corp	10
Barclays Bank	10	HFC Trust & Savings	10	Whiteaway Laidlaw	10½
Benchmark Tst Ltd.	10	● Hambros Bank	10	Yorkshire Bank	10
Beneficial Trust Ltd.	11	Heritable & Gen. Tst.	10		
Berliner Bank AG	10	● Hill Samuel	§10		
Brit. Bk. of Mid. East	10	C. Hoare & Co.	10		
● Brown Shipley	10	Hongkong & Shangh'	10		
Business Mortgage Tst.	10	Lloyds Bank	10		
CL Bank Nederland	10	Mase Westpac Ltd.	10		
Canada Permanent	10	Meghraj & Sons Ltd.	10		
Cayzer Ltd.	10	Midland Bank	10		

● Members of the Accepting Houses Committee. ★ 7-day deposits 5.35%. Savewise 8.03%. Top Tier—£2,500+ at 3 months' notice 9.38%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 5¾% gross. ¶ Mortgage base rate. § Demand deposit 5.35%. Mortgage 11.25%.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or −	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
§150	F.P.	15/4	180	160	Admiral Comp'ting 5p	173	−1	u2.13	3.6	1.7	22.6
§180	F.P.	15/5	201	190	Airtours 10p	193	−1	R5.4	2.5	3.9	14.1
§215	F.P.	—	380	272	Barbour Index	365	......	R4.0	3.1	1.5	29.7
§80	F.P.	8/5	170	150	‡Burford Group	168	−2	u1.2	3.2	1.0	43.3
130	F.P.	—	135	129	Cambridge Instru. 5p	131	−1	R0.7	8.8	0.8	14.9
§200	F.P.	11/5	226	211	Castle Comms. 5p	216	−4	87.0	2.2	4.6	13.8
§125	F.P.	—	153	143	Cundell Group 10p	153	+2	W3.19	3.1	2.9	15.7
§125	F.P.	—	137	130	‡Forward Group 5p	131	......	U2.2	3.2	2.3	17.7
§250	F.P.	8/4	375	315	Hobsons Publishing 5p	370	......	U6.25	2.2	2.4	27.4
§112	F.P.	—	129	125	‡Honeysuckle Gr'p 2p	128	......	R4.1	2.5	4.5	12.4
‡ ‡	F.P.	—	£12½	£11¼	Huntingdon Int. 5p	£12¼	......	—	—	—	10.8
§115	F.P.	16/4	146	128	‡JSB Electrical 20p	128	......	L2.9	2.8	3.2	15.6
§120	F.P.	24/4	211	190	Mallett 5p	191	−2	u3.0	3.1	2.2	20.5
§114	F.P.	8/5	127	114	Melville Street Inv.	125		1.4	1.2	1.6	—
—	—	—	34½	25	Do Warrants	33½	−½	—	—	—	—
225	F.P.	—	342	225	Mercury Asset Mgmt. 5p	303	−10	R5.0	4.0	2.3	15.2
§186	F.P.	—	110	108	‡Orchid Technology		......	rq2.57c	5.2	1.5	12.5
§95	F.P.	—	195	108	‡Mays 5p	128	−2	R2.0	3.7	2.2	17.3
§180	F.P.	1/5	198	180	Perpetual 10p	193	......	u2.5	4.5	1.8	16.2
120	F.P.	26/3	155	127	‡Prism Leisure Corp 10p	138	−2	R4.26	2.25	4.3	13.1
§95	F.P.	10/4	102	97	RCO 10p	99	......	L3.91	2.1	5.5	12.2
§20	F.P.	3/4	46	27	‡Regina Health 2p	45	−1	0.28	4.1	0.9	38.7
§140	F.P.	1/5	181	163	‡Reliance Sec. Group 5p	171	......	b4.5	2.5	3.7	15.3
§100	F.P.	30/4	101	99	Renaissance Hldgs.	100	......	—	—	—	—
—	F.P.	30/4	40	25	Do. Warrants	41	+1	—	—	—	—
§100	F.P.	7/4	152	120	‡Sanders & Sidney 5p.	145	......	R4.26	2.0	4.1	16.8
210	F.P.	24/4	270	238	Scandinavian Bk. Units	250	−3	u8.0	2.5	4.5	10.5
§135	F.P.	—	177	148	‡Thornton (G.W.) 5p	176	......	L3.75	3.80	3.0	12.4
—	F.P.	—	280	220	‡UTC Group	279	+1	‡u14.0	—	7.1	—
130	F.P.	16/3	146	136	Wilson Bowden 10p	136	−3	L3.4	3.0	3.5	13.4
§144	F.P.	—	191	170	‡Wood (J.D.)& Co.10p.	175	−1	R2.5	3.6	2.0	19.5
§120	F.P.	29/4	190	145	‡Wyevale Gdn. Cen. 50p	187	−2	u2.63	2.8	2.0	25.4

For British Airways see London Share Service (Industrials)

FIXED INTEREST STOCKS

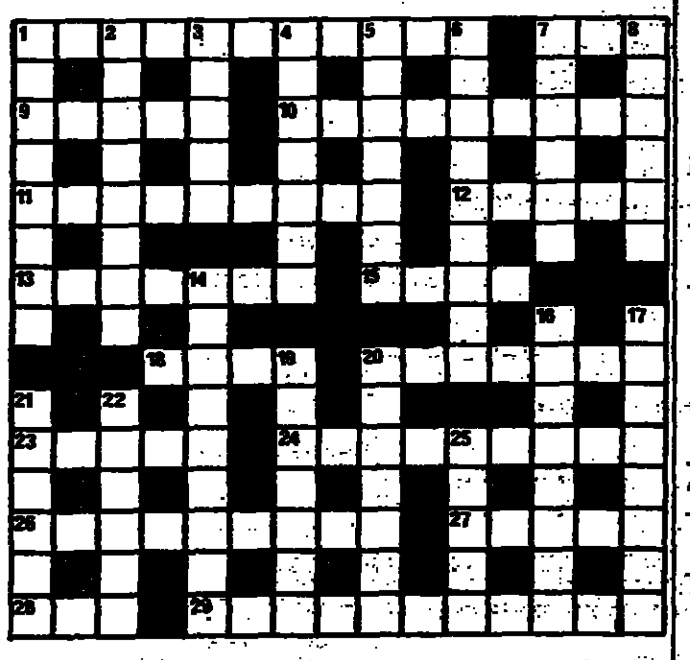
Issue Price £	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price £	+ or −
§98.919	F.P.	—	101	95	Asda Prop.10⅞% 1st Mort.Deb. 2011	99	......
§99.170	F.P.	—	98½	98	City Site Est.10½% 1st Mort.Deb.2017	98¼	......
‡	£30	3/6	49	38	DixonsGrpNon-Int-brng.Cv.Un.Ln(£1)	38	−4
—	F.P.	—	127p	112p	Heywood Williams Cum. Cnv. Red. Prf	124p	−1
§100	£50	13/5	60	41½	Mid-Sussex Water 11% Red Deb 2012-16	58	......
—	F.P.	—	100¼	100⅛	Nationwide 9⅞% Bds. 11/4/88	100⅛	......
—	£25	—	25	24½	Do 3⅞% I-L Ln 2021	25½	......
§98.819	£20	11/9	24⅞	19¼	TR City of Lon. Tst. 10¼% Deb 2020	19¼	−1¼
100.179	F.P.	24/6	102	98	Tops Estates 10¼% 1st Mort. Deb. 2011/16	100¾	+1¼
§99.016	£25	29/5	26¼	25¼	Town Centre Secs. 10½% 1st Mort. Deb. 2021	26½	−¼
—	£30	......	31¼	30⅝	Tribune Inv. Tst. 9⅞% Deb 2012	31¼	......

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or −
320	Nil	—	36pm	36pm	DPCE 5p	36pm	......
300	Nil	18/5	44pm	34pm	Iceland Frozen 10p	39pm	−1
375	Nil	8/5	56pm	27pm	Ladbroke 10p	27pm	−14
125	Nil	15/5	98pm	83pm	Nash Inds.	96pm	−2
5	Nil	—	40pm	36pm	‡New England Props. 5p	38pm	......
32	Nil	24/4	11pm	8pm	Widney 4p	10pm	......

FT CROSSWORD PUZZLE No. 6,302

VIXEN



ACROSS

1 Isn't courted maybe — that can be crushing (11)
7 Scrap as harmless fun (3)
9 Make a song about a pupil being shy (5)
10 Application for a coach (9)
11 Pulverise the ingredients, though it's most unpleasant (9)
12 Direct transport (5)
13 Frank is after service (7)
15 Drop a woman a note (4)
18 The maple tree featured in a certain arboretum (4)
20 He's landed a revolutionary leader at the water-side (7)
23 It's time the doctor returned the letter (5)
24 Broke — the trade's bad (9)
26 Larks about with many guides (9)
27 Appropiate exercises to follow a party (5)
28 Stick insect as seen from the back (3)
29 This was topping for Sherlock Holmes! (11)

DOWN

1 Dicky tried taking a bearing in the ship, though suffering (8)
2 Missing the work-out? (8)
3 Magnificent drink is brought back (5)
4 Prescription including a German pain-killer (7)
5 Bad feeling (7)
6 Ran weight off, as is the habit in retirement (9)
7 Money received by letter (6)
8 Gullible Eastern novelist (6)
14 Called late and made demands (9)
16 Disregard on account of appearance (8)
17 Director harassed by a man who's owed money (8)
19 Stock book (7)
20 Collects dope in same cunning way (7)
21 Prison's not so hot (6)
22 Composed when in 21 down (6)
25 Capital jewellery! (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

COMPLIANCE

A TWO-DAY SEMINAR
BARBICAN CONFERENCE CENTRE
13/14 APRIL

Designed specifically for all those involved in the securities and financial services industry.

Subjects covered include:

who regulates the City? □ who is being protected? □ the Financial Services Act □ the role of the Compliance Officer □ what can go wrong? □ secrecy vs disclosure □ statutory authorisation & internal rules □ conflicts of interest □ the limitations of the rules of compliance □ insider dealing □ take-overs □ avoiding the pitfalls □ case study

FOR FULL DETAILS contact
JOHN BARON on 01-351 6955
FINANCIAL IQ LTD.,
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LONDON, SW3 5UE

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FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

MGM Unit Managers Ltd
MGM House, Heene Rd, Worthing 01-623 8211

High Inc	270.1	287.3xd	-2.6	5.12
(Accum Units)	334.7	356.0	-3.2	5.12
UK Growth	334.8	356.3xd	-5.1	2.75
(Accum Units)	356.4	379.3	-5.5	2.76

MLA Unit Trust Management
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 674751

MLA Gen. Tst	39.5	42.0	-1.0	1.79
MLA Income Trust	54.1	57.3	-0.6	3.92
MLA Int	61.5	65.3xd	-0.4	0.81
MLA Gilt Unit Tst	25.0	25.7	-0.4	10.4
MLA European Trust	34.8	36.8	-0.2	0.47
MLA American Tst	27.9	29.5	-0.2	[illegible]
MLA Emerging Mkts. Tst	24.0	25.4	-0.1	0.70

ManuLife Management Ltd
St George's Way, Stevenage 0438 356101

Gilt&Fxd Int	119.4	125.4xd	----	7.04
Growth Units	98.7	104.9	----	2.55
High Income Unit	137.8	146.4xd	----	3.86
High Yielding Gilt Uts	61.2	63.4	----	8.00
Int'l Growth Unit Tst	156.1	165.9	----	0.33
UK Smaller Cos.	107.4	114.6	----	1.59
North American	84.9	90.2	----	0.40
Far East	130.3	138.5	----	0.02

INSURANCES

FT UNIT TRUST INFORMATION SERVICE

Noble Lowndes & Partners Ltd
PO Box 144, Croydon 01-686 2466

Lowndes (Cler Med Ks)	113.3	119.3	-0.4	—
Lowndes (Scot. Equit.)	111.4	117.3	+0.1	—

The Norminster Group
71, London Rd, Peterborough, PE2 9BB 0733 42200

Mngd. Scot Mut.	120.0	126.4	—	—
Pen. Scot. Mut.	111.2	117.1	—	—
Man-Schroder	109.8	115.5	+0.4	—
Pen Man-Schroder	113.9	119.8	-0.2	—
Man. Target	123.4	129.9	+2.1	—
Pen. Man. Target	62.4	65.7	+1.3	—
Man Scot Equit	95.0	100.0	—	—

O'Halloran & Co/Countrywide
c/o 41, Broadway, Peterborough, PE1 1SJ 0733 44050

Managed Fd	125.0	131.6	+0.5	—

PBR Fund Management Ltd.
146a Queen Victoria St, EC4V 5AP 01-236 4070

Fixed-Bond	151.2	158.8	+1.9	
Fixed Pension Bond	141.7	148.9	+1.8	—
Managed Bond		113.1	+0.2	—
Managed Pension		127.6	+0.5	—

The Porchester Group
91 Wimpole Street, London W1M 7DA 01-493 9090

Porchester Managed Funds

Albany (z)	122.9	129.3	+0.4	—
Cornhill (z)	107.9	113.5	—	—
Irish Life (z)	120.5	126.9	+0.8	—
Royal Heritage (z)	106.0	111.6	—	—
Schroder (z)	102.4	107.7	-0.4	—
Skandia (z)	123.6	130.1	-0.4	—
Target (z)	125.3	131.9	—	—
Trident (z)	119.5	125.9	+0.1	—

Porchester Managed Pension Funds

Albany (z)	138.5	145.7	+0.7	—
Schroder (z)	100.9	106.2	—	—
Skandia (z)	132.3	139.2	-0.5	—
Target (z)	119.8	126.2	+0.4	—

Managed by Perlmaster Securities Limited

Sharp (Albert E.) & Co
12 Newhall Street, Birmingham B3 3ER 021-236 5801

Man-Clerical Med.	130.5	137.4	-1.7	—
Pens. Man-Schroder	521.1	548.5	-4.2	—

Towry Law & Co
57 High St, Windsor, SL4 1LX 0753 868244

Albany Life	—	—	—	—
Clerical & Medical (z)	108.7	114.5	-0.2	—
Guardian Royal Exch	101.1	106.4	+0.8	—
M&G Ass (Life)	119.5	125.8	—	—
M & G Ass (Pens)	142.4	149.9	—	—
N. M. Schroder	99.9	105.1	—	—
N. M. Schroder Pens.	102.7	108.1	-0.1	—
Norwich Union Ass Mgt.	55.2	58.2	-0.8	—

Brown Shipley Fund Mgmt (CI) Ltd
PO Box 583, St Helier, Jersey 0534 74777

Sterling Bond (Daily)	10.81	11.10	-0.09	9.40
Sterling Cap (Daily)	22.98	22.98	—	—
Intl. Bond (Daily)	$16.40	17.33	+0.04	5.14
Int Currency (Wed)	1.39	1.47	—	2.30

Butterfield Management Co Ltd
PO Box 195, Hamilton, Bermuda (809-29) 51132

Buttress Capital		$15.40	—	—
Buttress Equity Acc.	$7.79	8.33	—	—
Buttress Inc Acc	$4.93	5.09	—	—

CAL Investments (IoM) Ltd
16 St Georges Street, Douglas, IoM 0624 20231

CAL C & C*	55.3	58.5		5.4

*Dealings Monday. **Dealings Only

CRC Asset Management Limited
PO Box 208, St Peter Port, Guernsey 0481 26268

CRC Balanced Growth Fund—29th Mar

Far East Class	$16.43	17.26	—	—
International Class	$13.70	14.39	—	—

Capital International
43 Boulevard Royal, Luxembourg

Capital Int. Fund		$74.91	—	—

Cater Allen Investment Management (CI)
29a Broad St, St Helier, Jersey, CI 0534 78098

CA Dollar Inc Fd	$10.09	10.11	—	6.73
CA Gilt Edg Fd	£13.62	13.69	—	10.23

Charterhouse Bank
1 Paternoster Row, London EC4 01-248 4000

Emperor Fund	$17.80	18.70	—	0.00
Euro Global Inv Fd	$98.13	103.08	—	0.40

Charterhouse Fund Mngt. (C.I.) Ltd
Charterhouse Bldg, Bath St, Jersey 0534 79437

Charterhouse International Capital Fund Limited

£ Sterling	16.77	—	9.71
US$	34.95	—	5.38
D Marks	49.41	—	3.25
Swiss Francs	44.31	—	2.09
Fr Francs	171.90	—	7.40
Dutch Guilders	42.00	—	3.95
Ecu's	21.52	—	5.97
Japanese Yen	3,148	—	2.27
Belgian Francs	806.85	—	5.35

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
1 Nov	1 May	Funding 6½pc 85-87	[illegible]	25.9	6.52	11.64
12Dec	12Jne	Treas. 10pc 1987	[illegible]	10.12	10.00	9.78
14Jan	14Jly	Treas 3pc 1987	[illegible]	8.12	3.04	7.80
3May	3Nov	Treas. 12pc 1987	[illegible]	29.9	11.84	9.38
26 Jul	26 Jan	Treas 7¾pc 1985-88‡‡	[illegible]	22.12	7.83	9.15
10Nov	10May	Exch 10½pc '88	[illegible]	6.10	10.38	9.31
14Dec	14Jne	Treas 9¾pc Cv '88	[illegible]	18.12	9.71	9.31
1Jan	1Jul	Transport 3pc '78-88	[illegible]	25.11	3.14	7.02
25 Apr	25 Oct	Treas. 9½pc '88	[illegible]	18.9	9.46	9.21
22 Aug	22 Feb	Treas 11½pc 1989	[illegible]	16.1	11.09	9.27
18 Oct	18 Apr	Treas 9½pc Cnv 1989	[illegible]	11.9	9.47	9.35
15Nov	15May	Treas 3pc 1989	[illegible]	9.10	3.25	6.98
14Dec	14Jun	Treas 10½pc 1989	[illegible]	18.12	10.27	9.33
1Feb	1Aug	Exch 10pc 1989	[illegible]	29.12	9.87	9.36
29 Mar	29 Sep	Exch 11pc 1989	[illegible]	26.8	10.63	9.37
15 Apr	15 Oct	Treas 5pc 1986-89	[illegible]	8.9	5.34	7.80
15 May	15 Nov	Exch 10½pcCv '89	[illegible]	9.10	9.90	8.69
15 Jul	15 Jan	Treas 13pc 1990‡‡	[illegible]	9.12	11.99	9.24
12 Aug	12 Feb	Exch 11pc 1990‡‡	[illegible]	6.1	10.56	9.29
22 Sep	22 Mar	Exch. 12½pc 1990	[illegible]	18.8	11.57	9.28
8 Nov	8 May	Treas. 3pc 1990	[illegible]	2.10	3.37	7.05
15 Dec	15 Jun	Treas 8¼pc 1987-90‡‡	[illegible]	18.12	8.39	8.86
25 Apr	25 Oct	Treas. 10pcCv 1990	[illegible]	18.9	9.81	9.34
22 May	22 Nov	Exch 2½pc 1990	[illegible]	16.10	2.89	6.76
10 July	10 Jan	Treas 11¾pc 1991	[illegible]	4.12	10.95	9.36
5Oct	5Apr	Funding 5¾pc '87-91‡‡	93	1.9	6.15	7.69
13 Nov	13 May	Treas. 3pc 1991	[illegible]	—	3.48	6.94
12Jan	12July	Treas 10pc Cv '91	[illegible]	8.12	9.57	8.70
25Apr	25Oct	Exch. 11pc 1991	[illegible]	18.9	10.37	9.33
22Jly	22Jan	Treas 12¾pc 1992‡‡	113	16.12	11.29	9.32
21Aug	21Feb	Treas 10pc 1992	[illegible]	15.1	9.75	9.31
Five to Fifteen Years						
7 Nov	7 May	Treas 10½pc Cv 1992‡‡	[illegible]	1.10	10.05	9.36
25 Feb	25 Aug	Exch. 12¼pc '92	[illegible]	19.1	10.99	9.46
22Mar	22Sep	Exch 13½pc 1992	[illegible]	18.8	11.58	9.50

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS—Contd

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[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

FOREIGN BONDS & RAILS—Contd

[illegible]

AMERICANS

[illegible]

Continued on next page

Money Market Bank Accounts

[illegible]

Money Market Trust Funds

[illegible]

UNIT TRUST NOTES

[illegible]

LONDON SHARE SERVICE

AMERICANS—Continued

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
Oc Ja Ap Jy	Sara Lee $1	28¾xd	24.12	$2.00	—	4.5
Mr Jn Se De	Saul (B. F.) $1	10¼xd	7.4	20c	—	1.2
Fb My Ag No	Southwestern Bell $1	67⅝xd	7.4	$6.96	—	6.7
—	Staley Continental	17¼	—	80c	—	3.0
Mr Jn Se De	Sun Co. Inc. $1	43⅞xd	5.11	$3.00	—	4.7
Ma Jn Se Dec	TRW Inc. $1¼	63⅜xd	10.2	$3.20	—	3.2
Mr Jn Sp Dc	Tenneco $5	29¼	4.11	$3.04	—	6.8
June Dec	Do. 10pcLn.Stk. 91-6	180¼xd	24.11	10%	—	5.6
Mr Je Se De	Texaco $6.25	15⅝xd	31.7	$3.00	—	9.8
Mr Jn Se De	Time Inc. $1	55½	22.8	$1.00	—	1.2
Ja Ap Jy Oc	Tracor $0.33	12½	16.9	36c	—	1.8
Ja Ap Jn Oc	Transamerica $1	20⅞xd	31.3	$1.76	—	5.5
Fe My Au No	Transworld Corp $5	10¼	11.11	20c	—	1.2
—	Trinova Corp.	40⅝	—	$1.40	—	2.2
Mr Je Se De	USX $1	17⅛	30.10	$1.20	—	4.4
Ag Nv Fb Je	Union Carbide $1	17⅞	4.11	$1.50	—	5.4
Mr Je Se De	Utd. Technologies	30	16.2	$1.40	—	3.0
Fb My Ag No	US West	32⅞	21.10	$3.28	—	6.5
Mr Je Se De	Woolworth $3½	31⅞	19.11	$1.12	—	2.3

CANADIANS

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
—	Abitibi Energy Corp.	21⅛	—	—	—	—
—	Amer. Barrick Res.	18⅞	—	—	—	—
—	Arapeno	70p	—	—	—	—
Fb My Ag No	Bk. Montreal	15¼	24.11	$2.00	—	6.1
Ja Ap Jn Oc	Bk. Nova Scot.	869p	12.1	72c	—	4.0
Ap Jy Oc Ja	BCE	19⅞	10.9	$2.40	—	5.8

BANKS, HP & LEASING

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Jan	July	PWS Holdings 10p	312	9.2	g9.25	2.9	4.2	11.7
		Pearl Group 5p	355	—	8.8	—	3.5	—
Nov.	May	Prudential	833xd	6.4	29.0	—	4.9	—
Nov.	May	Refuge 5p.	448	23.3	15.75	—	5.0	—
Jan.	May	Royal	937	23.3	31.0	—	4.7	—
April	Oct.	Sedgwick Group 10p	305	9.3	♦12.0	1.7	5.5	13.0
May	Nov	Steel Burrill J.10p	234xd	6.4	9.0	♦	5.4	♦
Nov.	July	Stewart Wr. 20p	448	29.9	13.0	2.0	4.2	15.6
Mar	Sept	Sturge Hldgs 20p	397xd	26.1	b6.0	2.5	2.1	26.0
Jan.	July	Sun Alliance	820	24.11	23.5	—	4.1	—
June	Nov	Sun Life 5p	£18½xd	6.4	28.5	—	3.7	—
April		♦Taisho M EDR	£55¼	25.3	g010%	—	0.8	—
Fb My Au Nv		Torchmark $1.00	£38¼	9.1	060c	—	2.1	—
Nov.	May	Trade Indemnity	325xd	6.4	4.3	—	1.9	—
Mr Ju Se De		Travelers $1.25	£28½	27.1	$2.28	—	5.2	—
Dec	June	USLIFE Corp. $1.0	£25½	5.11	Q$1.20	3.2	3.1	10.2
June	Nov	‡Utd Friendly B 10p	595	13.10	†17.2	—	4.1	—
May	Nov	Willis Faber 12½p	387	29.9	10.75	♦	4.0	♦
Mar	July	Windsor Secs. 10p	99	02.12	0.7	1.5	1.7	54.7

LEISURE

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
October		‡A & M Group 10p	14½	11.8	0.4	2.0	3.9	18.1
Jan	July	A-R TV Pref. £1	76	22.12	5.95	48.1	13.2	—
May	Aug	Anglia TV	485	23.2	g11.25	3.3	3.3	13.5
—		‡Aspinall Hldgs. 10p	159	23.2	6.0	1.2	5.3	21.8
		‡Avesco 1p	85	—	L0.5	6.6	0.8	21.8
—		‡BCE Hldgs 5p	46½	—	Rd3.0	3.0	3.0	15.5
July	Nov	Barr & W.A.T. 'A'	188	29.9	7.0	1.4	5.2	(17.9)
—		Boosey & Hawkes	172	4'84	—	—	—	—
		‡Border T.V.	69	23.2	†g2.5	3.2	5.1	17.3
June	Dec	Brent Walker 10p	377	27.10	G8.5	♦	3.2	♦
Mar.	Nov.	Campari Int. 20p	169xd	6.4	†3.0	♦	2.4	♦
—		Capital Radio 10p	177	—	W5.0	1.8	4.0	19.2
Nov	May	Central TV	604xd	6.4	17.0	♦	4.0	♦
Jan	July	Chrysalis	260	8.12	5.6	2.1	3.0	21.8
—		‡Cityvision 5p	53	—	—	—	—	—
—		‡Entertain Prod 5p	23	9'85	—	—	—	—
Jan.	July	Fairline Boats 10p	285	8.12	6.0	3.6	3.0	13.4
Apr.	Oct.	First Leisure £1	526	23.2	7.5	3.3	2.0	21.3
—		GRA Group 5p	102	—	♦	—	—	—
Jan	June	Grampian TVA 10p	109	24.11	2.0	3.5	2.7	14.8
—		Greenwich Cable Comm	61	—	—	—	—	—
Nov.	Apr.	HTV Non/Vtg.	317	23.3	†8.5	4.0	3.8	9.4
Dec	June	Hanimex A$0.25	59	10.11	—	—	—	—
Jan	July	‡Hawthorn Leisure 5p	28½	2.7	—	—	—	—
Feb	Aug	Horizon	186	12.1	♦a4.8	0.5	3.6	—
Jan	Aug	Intl Leisure 10p	196	8.12	♦†5.0	2.2	3.6	18.1
Nov	June	Juliana's Hldgs 2p	68	13.10	‡2.13	0.8	‡	28.8
Jan	April	LWT	865	23.3	†18.15	3.6	3.0	13.2
October		Lee International 10p	211	9.3	L3.8	2.7	2.5	20.2
January		Leisure Inv 10p	91½xd	6.4	0.36	7.4	0.5	30.9
Jan	Jul	Leisuretime Int 10p	80	11.8	†2.3	0.9	4.0	(42.0)
Jan.	July	‡Lewmar	131	8.12	s2.63	3.4	2.8	14.7
—		‡Marina Dev. 50p	115	—	♦R3.13	3.0	3.8	11.1
—		Mecca Leisure 10p	186	—	L4.1	1.8	3.1	24.7
Mar	Oct	‡Media Tech Int 20p.	160	23.2	2.8	4.5	2.5	12.3
Apr.	Dec.	Medminster 10p	208	9.3	†6.25	1.9	4.2	17.3
February		Midsummer Leis 50p	255	22.12	4.0	3.9	2.2	12.4
Oct	May	‡Miss World 10p	195	23.3	6.0	3.2	4.3	10.2
May	Oct	Nationwide Leisure	77½	12.5	♦	—	4.6	♦
—		‡Nimslo Int 20c	13	—	—	—	—	—

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING—Continued

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PROPERTY

[illegible]

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SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

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TEXTILES

[illegible]

TEXTILES—Cont.

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

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Finance, Land, etc

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FINANCE, LAND—Cont.

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OIL AND GAS—Continued

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OVERSEAS TRADERS

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Rubbers, Palm Oil

[illegible]

Teas

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MINES

Central Rand

[illegible]

Eastern Rand

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Far West Rand

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O.F.S.

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Diamond and Platinum

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Central African

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Finance

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Australians

[illegible]

MINES—Continued

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THIRD MARKET

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NOTES

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REGIONAL & IRISH STOCKS

[illegible]

TRADITIONAL OPTIONS

3-month call rates

[illegible]

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

SWEDEN

GERMANY

NETHERLANDS

HONG KONG

SOUTH AFRICA

AUSTRALIA

SWITZERLAND

NORWAY

ITALY

SPAIN

JAPAN

SINGAPORE

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices.

CANADA

TORONTO

Closing prices April 10

MONTREAL

Closing prices April 10

OVER-THE-COUNTER

Nasdaq national market, closing prices, April 10

NEW YORK

DOW JONES

Indices

STANDARD AND POORS

TRADING ACTIVITY

CANADA

TORONTO

MONTREAL Portfolio

NEW YORK ACTIVE STOCKS

"What's special about these Danish companies?"

ABN Bank Copenhagen Branch, Assurandør-Societetet, Barclays Finans A/S, Berlingske Tidende, Bikuben, Boliden, Buch+Deichmann, Copenhagen Handelsbank, Danish Steel Works Ltd., Danish Telecom International A/S, Danish Turnkey Dairies Ltd., Dannebrog Shipyard Ltd., A/S De Danske Sukkerfabrikker, Den Danske Bank, Domi A/S, Duracell-Daimon ApS, East Asiatic Co. Ltd. (A/S Det Østasiatiske Kompagni), A/S Elizabeth Arden, Ess-Food, F. L. Smidth & Co. A/S, Forlaget Management A/S, Frisko Sol Is A/S, Ginge Brand & Elektronik A/S, Gränges Danmark A/S, Grundfos International A/S, Haldor Topsøe A/S, Hellerup Bank A/S, Henriques Bank Aktieselskab, Kreditforeningen Danmark A/S, Kommunedata, Midtbank, A/S Niro Atomizer, Norsk Hydro Danmark a.s, Nykredit, Price Waterhouse, Privatbanken A/S, Revisionsfirmaet C. Jespersen, Skandinavisk Tobakskompagni, Statsanstalten for Livsforsikring, The Jutland Technological Institute, Aktieselskabet Varde Bank.

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For further information about subscription rates in Scandinavia, please contact K. Mikael Heiniö in Copenhagen:

01-13 44 41

Closing prices, April 10

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
33⅝	20⅛	AAR s	.50	1.6	22	230	31⅝	31	31⅛	-⅛
37	21⅞	ADT	.92	2.7	19	478	34⅛	33¾	34	
41½	23⅝	AFG	.12e	.3	11	162	37½	37⅛	37½	-½
40¼	16¾	AGS			21	58	36¼	35¾	36⅛	+⅛
14¼	6¾	AMCA				32	6⅝	6½	6⅝	
9⅝	4⅞	AM Intl				1589	7⅛	6¾	7	
62⅛	47¼	AMR			12	2978	55½	54¼	55⅛	+⅛
12⅞	8	ARX s			13	47	10½	10¼	10½	
68¼	26¾	ASA	2a	2.9		3577	u70	68½	69	+1¼
19	9¾	AVX		1.7		638	18⅞	17¾	18¾	+⅞
32¾	26½	AZP	2.72	9.4	10	2844	29	28	29	-½
67	39¾	AbtLb s	1	1.6	27	3555	63¾	61⅝	62	+½
34¼	25	AccoWd .62		1.9	21	242	33½	32¾	32⅞	-¾
14	9	AcmeC .40		3.1	24	406	13⅛	12⅞	12⅞	+¼
8½	6⅛	AcmeE .32b		4.1	27	27	7¾	7¾	7¾	
23⅞	16¾	AdaEx 3.42e		16.		207	21¾	21⅜	21⅜	⅛
19½	11⅝	AdmM s .24		1.3	15	6	18⅝	18⅝	18⅝	
21½	12⅛	AdvSys .62		2.9	16	234	21⅛	20¾	21⅛	
31½	12⅞	AMD				10538	21¼	19¾	21	+¾
52¾	45⅝	AMD pf	3	5.8		1316	51½	50½	51½	+1
10¾	5¼	Adobe				48	9⅞	9¾	9¾	-⅛
20½	13¾	Adob pf 1.84		9.3		2	19¾	19¾	19¾	-¼
21⅞	16⅝	Adob pf 2.40		11.		34	20⅞	20⅞	20⅞	-⅛
18⅝	11½	Advest .12a		.9	11	290	13⅞	13⅝	13¾	
68¾	53	AetnLf 2.76		4.5	10	x7260	62	61¼	61⅞	+½
54	51⅛	AetL pf2.81e		5.4		148	52	51⅞	52	+⅛
[illegible]										

Continued on Page 45

NYSE COMPOSITE CLOSING PRICES

Continued from Page 44

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		X Y Z								
78⅜	48⅝	Xerox	3	4.0	20	3857	75⅝	74⅝	75¼	−⅜
58¼	55	Xerox pf5.45		9.8		11	55½	55⅜	55½	−¼
28¾	21½	XTRA	.64	2.6		82	24⅝	24½	24½	−¼
21¼	13½	Yorkin			23	102	20¾	20½	20½	
8	2¼	Zapata				314	4½	4¼	4¼	−¼
43⅞	20¾	Zayre s	.32	1.2	17	1800	27⅜	26¾	26¾	−½
14¾	9¾	Zemex	.40	2.9	9	44	13¾	13	13¾	+½
29⅞	18⅞	ZenithE				1504	26¼	25⅝	25⅞	−⅜
15¼	8	ZenLb s				1061	12	11½	12	+⅛
21	12⅝	Zero	.36	2.0	19	166	17⅞	17½	17⅝	−⅛
51¾	32¾	Zurmin	1.32	2.6	20	63	50½	50	50⅛	−⅜
10⅜	8¾	Zweig	n.10e	1.1		851	9½	9⅜	9⅜	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices April 10

OVER-THE-COUNTER

Nasdaq national market, closing prices, April 10

Continued on Page 43

HAND DELIVERY SERVICE

AMSTERDAM/DELFT/EINDHOVEN
GRONINGEN/THE HAGUE/HAARLEM/HEEMSTEDE/
LEIDEN/LEIDERDORP/OEGSTGEEST/
RIJSWIJK/ROTTERDAM/UTRECHT/WASSENAAR

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THE NETHERLANDS

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

The old West faces growing Far East challenge

BY COLIN MILLHAM

FINANCIAL MARKETS are showing signs of increasing nervousness about world trade disputes between the old industrialised West and the growing powers of the Far East.

The obvious focus is on the US row with Japan over alleged dumping of semiconductors, and over US and British demands for greater access to Japanese markets.

US sanctions aimed at stemming the flow of imports from Japan have also led to fears that Japan will seek a larger market share in Europe, increasing tension with the Common Market.

The published figures suggest that Japan is likely to be on a collision course with the West. According to a survey by Money Market Services tomorrow's figure on February US trade will show a deficit of $13bn, which is little different from the January shortfall of $14.8bn.

In March Japan's trade surplus rose to $8.09bn, from $7.14bn in February, but the surplus with the US fell to $3.78bn from $3.97bn, indicating that Japan's sales drive may be looking towards Europe, to avoid even more friction with the US.

For the financial year ending on March 31 Japan's trade surplus was a record $89.77bn, compared with $52.60bn the previous year, which was also a record.

This rise of 70 per cent in the Japanese trade surplus was partly offset by the weakness of the dollar, but not by very much.

During the year the dollar fell by about 20 per cent against the yen, although since the New York currency agreement of September 1985 the fall has been about 40 per cent.

According to the stockbroker, James Capel, the appreciation of the yen since 1985 has already brought about a fundamental change in Japan's underlying trade performance. During 1986 Japan's real exports of goods and services fell by almost 4 per cent, while imports rose by over 6 per cent.

James Capel adds, the underlying adjustment towards a lower trade surplus has begun, but this appears to be poorly understood by Western politicians. Stability of the yen against the dollar has become the primary objective of Japanese economic policy, according to Capel, but action taken so far is unlikely to prevent a further appreciation of the yen. The rising tide of protectionism may stop the process, but at the expense of fears about a world recession.

Lloyd Bank's analysis of the international financial outlook sees the expansion of other economies in the Far East as an important factor in the rising tension in world trade.

Low labour costs and an exchange rate regime aimed at sustaining exporting competitiveness has ensured that countries such as South Korea, Taiwan, and Hong Kong were positioned to take advtantage of the two most significant changes in the world economy last year: lower oil prices and the fall of the dollar.

The bank says that the outlook for 1987 suggests a worsening of the problems, as a result of the aggressive export drive from Asia.

It is heartening to note that the US and Britain are not alone in challenging Japanese trading practices. France has decided all Japanese microwave ovens must receive a control certificate from a recognised European laboratory, in retaliation at the hold up of French shampoo exports by Japanese quality controls.

£ IN NEW YORK

Apr 10	Close	Previous Close
£ Spot	1.6215-1.6225	1.6195-1.6205
1 month	0.46-0.45 pm	0.48-0.46 pm
3 months	1.27-1.24 pm	1.31-1.28 pm
12 months	3.75-3.65 pm	4.02-3.92 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Apr. 10	Previous
8.30 am	72.1	72.4
9.00 am	72.1	72.4
10.00 am	72.1	72.4
11.00 am	72.2	72.4
Noon	72.0	72.4
1.00 pm	72.1	72.4
2.00 pm	72.1	72.4
3.00 pm	72.1	72.3
4.00 pm	72.1	72.2

CURRENCY RATES

Apr. 10	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.79549	0.706755
U.S. Dollar	5.5	1.2919	1.14989
Canadian $	7.15	*	1.49658
Austrian Sch.	4	16.4676	14.5772
Belgian Franc	8	48.4326	42.9944
Danish Krone	7	8.84227	7.82788
Deutsche Mark	3.0	2.3406	2.07647
Neth. Guilder	4½	2.63931	2.34267
French Franc	9½	7.7816	6.91372
Italian Lira	11.5	N/A	1481.06
Japanese Yen	2½	184.93	163.342
Norway Krone	8	8.81450	7.79051
Spanish Peseta	—	164.327	145.806
Swedish Krona	7½	8.17179	7.24718
Swiss Franc	3.5	1.93976	1.71702
Greek Drach.	20½	172.324	153.234
Irish Punt	—	N/A	0.777741

*C$/SDR rate for April 9: 1.66985

CURRENCY MOVEMENTS

April 10	Bank of England Index	Morgan Guaranty Changes %
Sterling	72.1	−21.6
U.S. Dollar	100.7	−6.6
Canadian Dollar	79.4	−8.8
Austrian Schilling	137.6	+10.1
Belgian Franc	100.0	−4.3
Danish Krone	92.8	+3.5
Deutsche Mark	146.5	+21.5
Swiss Franc	172.5	+22.6
Guilder	134.5	+14.2
French Franc	71.6	−12.7
Lira	47.9	−16.9
Yen	222.9	+66.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

Apr. 10	£	$
Argentina	2.4940-2.5050	1.5350-1.5410
Australia	2.2650-2.2680	1.3945-1.3955
Brazil	37.6400-37.8400	23.1670-23.2830
Finland	7.1720-7.1840	4.4200-4.4250
Greece	214.60-218.25	132.25-134.45
Hong Kong	12.6695-12.6800	7.8005-7.8025
Iran	116.45*	71.40*
Korea (Sth)	1359.85-1372.15	839.80-846.60
Kuwait	0.44420-0.44510	0.27290-0.27310
Luxembourg	60.85-60.95	37.40-37.50
Malaysia	4.0265-4.0325	2.4790-2.4810
Mexico	1843.80-1862.80	1135.00-1146.00
N. Zealand	2.8195-2.8270	1.7360-1.7390
Saudi Ar.	6.0930-6.1010	3.7495-3.7505
Singapore	3.4685-3.4740	2.1355-2.1375
S. Af. (Cm)	3.2760-3.2980	2.0190-2.0230
S. Af. (Fn)	4.7110-4.8515	2.8985-2.9850
Taiwan	55.15-55.45	34.05-34.15
U.A.E.	5.9650-5.9750	3.6725-3.6735

*Selling rate.

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.6265	1.6220	1.6139	1.6048	1.5890
D-mark	2.9350	2.9204	2.8919	2.8540	2.7831
French Fr.	9.7750	9.7594	9.7332	9.7108	9.6734
Swiss Fr.	2.4325	2.4188	2.3944	2.3614	2.2965
Yen	231.75	230.58	228.41	225.39	219.65

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu April 10	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	42.9944	+1.26	+0.82	±1.5344
Danish Krone	7.85212	7.82788	−0.31	−0.75	±1.6404
German D-Mark	2.05853	2.07647	+0.87	+0.43	±1.0981
French Franc	6.90403	6.91372	+0.14	−0.30	±1.3674
Dutch Guilder	2.31943	2.34267	+1.00	+0.56	±1.5012
Irish Punt	0.768411	0.777741	+1.21	+0.77	±1.6684
Italian Lira	1483.58	1481.06	−0.17	−0.17	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Apr. 10	£	$	DM	YEN	F Fr.	S Fr.	H FL	Lira	C $	B Fr.
£	1.	1.627	2.935	231.7	9.775	2.433	3.313	2092.	2.119	60.90
$	0.615	1.	1.806	142.5	6.010	1.495	2.037	1286.	1.302	37.45
DM	0.341	0.554	1.	78.94	3.330	0.829	1.129	712.6	0.722	20.75
YEN	4.316	7.020	12.67	1000.	42.19	10.50	14.30	9027.	9.143	262.8
F Fr.	1.023	1.664	3.003	237.0	10	2.488	3.389	2140.	2.167	62.30
S Fr.	0.411	0.669	1.207	95.25	4.018	1.	1.362	859.8	0.871	25.04
H FL	0.302	0.491	0.886	69.95	2.951	0.734	1.	631.4	0.640	18.38
Lira	0.478	0.778	1.403	110.8	4.674	1.163	1.584	1000.	1.013	29.12
C $	0.472	0.768	1.385	109.4	4.614	1.148	1.564	987.3	1.	28.75
B Fr.	1.642	2.671	4.819	380.5	16.05	3.994	5.439	3434.	3.479	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

EURO-CURRENCY INTEREST RATES

Apr. 10	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	9 13/16-9 15/16	9 3/4-9 7/8	9 7/8-10	9 7/8-10	9 13/16-9 15/16	9 5/8-9 3/4
U.S. Dollar	6 3/16-6 5/16	6 1/4-6 3/8	6 1/2-6 5/8	6 5/8-6 3/4	6 3/4-6 7/8	7 1/16-7 3/16
Can. Dollar	6 5/8-6 7/8	6 3/4-7	6 7/8-7	7 1/8-7 1/4	7 5/16-7 7/16	7 9/16-7 11/16
D. Guilder	5 1/4-5 3/8	5 3/16-5 5/16	5 3/16-5 5/16	5 3/16-5 5/16	5 1/4-5 3/8	5 3/8-5 1/2
Sw. Franc	1 1/2-1 3/4	1 1/2-1 3/4	3 1/16-3 3/16	3 3/16-3 5/16	3 3/8-3 1/2	3 1/2-3 5/8
Deutschmark	3 13/16-3 15/16	3 13/16-3 15/16	3 13/16-3 15/16	3 13/16-3 15/16	3 7/8-4	4-4 1/8
Fr. Franc	7 13/16-7 15/16	7 3/4-8	7 13/16-8 1/16	8 1/16-8 3/16	8 1/8-8 1/4	8 1/4-8 3/8
Italian Lire	8-10	8 1/4-8 3/4	8 1/2-9 1/8	9 1/8-9 1/2	9 1/2-9 7/8	10 1/16-10 5/16
B. Fr. (Fin.)	7 3/8-7 5/8	7 1/4-7 3/8	7 1/4-7 3/8	7 1/4-7 3/8	7 1/4-7 1/2	7 1/4-7 1/2
B. Fr. (Con.)	7 1/4-7 3/4	7-7 3/8	7-7 1/2	7-7 1/2	7-7 1/2	7 1/4-7 3/4
Yen	4 1/4-4 3/8	4-4 1/8	4-4 1/8	3 15/16-4 1/16	3 15/16-4	3 15/16-4
D. Krone	10 1/4-10 5/8	10 1/4-10 5/8	10 1/4-10 5/8	10 1/4-10 3/4	10 3/8-10 7/8	10 1/2-11
Asian $Sing	3 1/4-3 1/2	N/A	3 3/16-3 5/16	3 3/16-3 5/16	3 1/2-3 5/8	3 5/8-3 3/4

Long-term Eurodollars: Two years 7 1/2-7 3/4 per cent; three years 7 3/4-8 per cent; four years 8-8 1/4 per cent; five years 8 1/4-8 1/2 per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT—FORWARD AGAINST THE POUND

Apr. 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6200-1.6285	1.6260-1.6270	0.47-0.44c pm	3.36	1.29-1.24 pm	3.11
Canada	2.1130-2.1205	2.1180-2.1190	0.54-0.44c pm	2.78	1.43-1.30 pm	2.58
Netherlands	3.30 1/4-3.32 1/2	3.30 3/4-3.31 3/4	1 3/8-1 1/4c pm	4.53	3 3/4-3 1/2 pm	4.38
Belgium	60.77-61.05	60.85-60.95	17-10c pm	2.66	46-35 pm	2.66
Denmark	11.05 3/4-11.13 3/4	11.09-11.10	1/8-7/8 ore dis	−0.54	1 1/4-2 dis	−0.56
Ireland	1.1000-1.1070	1.1005-1.1015	0.16-0.31 p dis	−2.56	0.42-0.67 dis	−1.98
W. Germany	2.93-2.94 1/4	2.93-2.94	1 5/8-1 1/2pf pm	6.13	4 1/2-4 3/8pf pm	5.88
Portugal	227.25-228.75	227.80-228.70	63-150c dis	−5.60	273-395 dis	−5.85
Spain	206.20-206.80	206.20-206.50	104-120c dis	−6.51	313-338 dis	−6.31
Italy	2091-2103	2091-2092	2-par lire pm	0.57	3-Par pm	0.29
Norway	11.00 1/4-11.06 1/4	11.04-11.05	3 5/8-4 3/8 ore dis	−4.35	11 5/8-12 5/8 dis	−4.39
France	9.77-9.81 1/2	9.77-9.78	1 1/4-1 1/4 c pm	1.84	4 5/8-3 5/8 pm	1.71
Sweden	10.23-10.29 3/4	10.26 1/4-10.27 1/4	1/4pm-1/4 ore dis	−0.15	1/2-1 1/4 dis	−0.34
Japan	231.25-232 1/4	231 1/4-232 1/4	1 1/4-1y pm	5.83	3 1/2-3 1/4 pm	5.83
Austria	20.64-20.72	20.67-20.70	10 1/4-9gro pm	5.58	29 1/4-26 1/4 pm	5.40
Switzerland	2.42 1/4-2.44 1/2	2.42 3/4-2.43 3/4	1 1/2-1 1/4c pm	6.78	3 7/8-3 5/8	6.17

Belgian rate is for convertible francs. Financial franc 61.20-61.30. Six-month forward dollar 2.20-2.15c pm. 12-month 3.80-3.70 pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Apr. 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6200-1.6285	1.6260-1.6270	0.47-0.44c pm	3.36	1.29-1.24pm	3.11
Ireland†	1.4692-1.4790	1.4770-1.4780	0.77-0.72c pm	6.08	2.10-1.98 pm	5.55
Canada	1.2995-1.3032	1.3020-1.3030	0.06-0.09c dis	−0.69	0.18-0.21 dis	−0.60
Netherlands	2.0345-2.0500	2.0360-2.0370	0.21-0.18c pm	1.14	0.66-0.61pm	1.24
Belgium	37.35-37.63	37.40-37.50	1-4c dis	−0.80	2-7 dis	−0.48
Denmark	6.79 1/2-6.85 1/4	6.82-6.82 1/2	1.80-2.50ore dis	−3.77	5.65-6.35 dis	−2.05
W. Germany	1.8020-1.8175	1.8050-1.8060	0.41-0.38pf pm	2.62	1.27-1.22 pm	2.75
Portugal	139 3/4-140 1/2	139 3/4-140	80-130c dis	−9.00	280-350 dis	−9.00
Spain	126.70-127.35	127.10-127.20	100-115c dis	−10.14	295-315 dis	−9.59
Italy	1285-1296	1285 3/4-1286 1/4	2.70-3.20lire dis	−2.74	8.50-10.00 dis	−2.86
Norway	6.77-6.82 1/2	6.78 3/4-6.79 1/4	4.10-4.60ore dis	−7.65	12.65-13.15dis	−7.56
France	6.00 1/4-6.05	6.00 3/4-6.01 1/4	0.70-0.85c dis	−1.54	2.05-2.30 dis	−1.44
Sweden	6.30-6.33 3/4	6.31-6.31 1/2	1.55-1.85ore dis	−3.23	5.00-5.40dis	−3.29
Japan	141.50-143.05	142.40-142.50	0.34-0.30y pm	2.70	0.98-0.93 pm	2.69
Austria	12.69 3/4-12.76 1/2	12.72 1/4-12.73 1/4	2.60-2.10gro pm	2.21	7.75-6.75 pm	2.27
Switzerland	1.4910-1.5045	1.4945-1.4955	0.46-0.41c pm	3.48	1.19-1.14 pm	3.10

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.60-37.70.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
112	9.44	10.02	0.02	0.24
114	7.46	8.20	0.04	0.42
116	5.55	6.46	0.13	1.04
118	4.11	5.19	0.33	1.41
120	2.44	4.04	1.02	2.26
122	1.33	3.01	1.55	3.23
124	0.58	2.11	3.16	4.33
126	0.30	1.34	4.52	5.56

Estimated volume total, Calls 3,446 Puts 1,977
Previous day's open int: Calls 21,253 Puts 11,779

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
92	3.46	4.03	0.40	2.01
94	2.24	2.62	1.18	2.60
96	1.17	2.07	2.11	4.05
98	0.36	1.28	3.30	5.26
100	0.15	0.61	5.09	6.59
102	0.05	0.39	6.63	8.37
104	0.02	0.24	8.608	10.22
106	0.00	0.14	10.58	12.12

Estimated volume total, Calls 295 Puts 716
Previous day's open int: Calls 258 Puts 271

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last Apr	Calls-Last May	Puts-Last Apr	Puts-Last May
19250	4.41	6.35	2.11	4.05
19500	3.05	5.05	3.25	5.25
19750	1.90	3.85	4.60	6.55
20000	1.17	2.93	6.37	8.13
20250	0.68	2.19	8.38	9.89
20500	0.37	1.60	10.57	11.80
20750	0.19	1.15	12.89	13.85
21000	0.09	0.81	15.29	16.01

Estimated volume total, Calls 26 Puts 5
Previous day's open int: Calls 351 Puts 272

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last Apr.	May	June	Sept.	Puts—Last Apr.	May	June	Sept.
1.30	—	—	32.50	32.50	—	—	0.00	0.00
1.35	—	—	27.50	27.50	—	—	0.00	0.01
1.40	22.50	22.50	22.50	22.50	0.00	0.00	0.00	0.06
1.45	17.50	17.50	17.50	17.50	0.00	0.00	0.00	0.24
1.50	12.50	12550	12.50	12.50	0.00	0.00	0.05	0.75
1.55	7.50	7.50	7.50	7.50	0.00	0.06	0.39	1.87
1.60	2.50	2.79	3.28	4.45	0.00	0.77	1.68	3.85

Estimated volume total, Calls 19 Puts 100
Previous day's open int, Calls 1,282, Puts 1,578

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last April	May	June	Sept.	Puts—Last April	May	June	Sept.
1.35	—	—	13.90	13.90	—	—	0.80	1.60
1.40	17.90	17.90	17.80	17.70	0.25	0.30	0.45	1.05
1.45	12.90	12.90	12.90	12.70	0.30	0.60	0.80	1.50
1.50	12.90	12.90	12.90	12.90	0.20	0.25	0.30	0.85
1.55	7.90	7.90	7.50	8.25	0.20	0.30	0.55	1.85
1.60	2.70	3.20	3.70	4.85	0.25	0.50	1.75	3.70
1.65	0.25	0.80	1.35	2.60	2.50	3.60	6.35	6.45

Previous day's open int: Calls 1,297 Puts 1,434
Volume: 111

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Apr.	May	June	Sept.	Puts—Last Apr.	May	June	Sept.
1.400	22.25	—	22.40	22.40	—	—	—	0.05
1.450	17.25	17.40	17.40	17.40	—	—	—	0.20
1.475	14.90	14.90	14.90	24.90	—	—	0.05	0.40
1.500	12.30	12.40	12.40	12.40	—	—	0.05	0.60
1.525	9.90	9.90	9.90	9.90	—	0.05	0.15	1.00
1.550	7.40	7.40	7.40	7.40	—	0.05	0.45	1.60
1.575	4.90	4.90	4.90	5.80	—	0.20	0.70	2.30

Previous day's open int: Calls 76,095 Puts 53,175
Previous day's volume, Calls 342 Puts 150

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls—Last June	Sept.	Dec.	Mar.	Puts—Last June	Sept.	Dec.	Mar.
92.75	0.40	0.39	0.42	—	0.07	0.25	0.40	—
93.00	0.23	0.26	0.30	—	0.15	0.37	0.53	—
93.25	0.11	0.15	0.20	—	0.28	0.51	0.68	—
93.50	0.04	0.09	0.13	—	0.46	0.70	0.86	—
93.75	0.01	0.05	0.07	—	0.68	0.91	1.05	—
94.00	0.00	0.02	0.04	—	0.92	1.13	1.27	—
94.25	0.00	0.01	—	—	1.17	1.37	—	—

Previous day's open int: Calls 0, Puts 0
Estimated volume, Calls 0, Puts 0

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
June	121-21	122-24	121-09	123-13
Sept.	121-21	—	—	123-13
Dec.	121-22	—	—	123-14

Estimated volume 43,633 (21,296)
Previous day's open int. 22,628 (22,833)

10% NOTIONAL SHORT GILT
£100,000 64ths of 100%

	Close	High	Low	Prev.
June	—	—	—	—

Estimated Volume 0 (0)
Previous day's open int. 0 (0)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
June	90.40	90.60	90.37	90.68
Sept.	90.69	90.90	90.68	90.95
Dec.	90.77	90.94	90.73	91.02
Mar.	90.68	90.80	90.71	90.92
June	90.58	90.68	90.59	90.79
Sept.	90.38	90.41	90.41	90.64

Estimated Volume 9,064 (2,309)
Previous day's open int. 25,788, (25,703)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
June	194.80	198.00	193.80	199.60
Sept.	199.30	—	—	204.65

Estimated volume 1,892 (1,168)
Previous day's open int. 4,059 (4,295)

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
June	93.08	93.10	92.95	93.26
Sept.	92.89	92.96	92.73	93.15
Dec.	92.77	92.84	92.61	93.05
March	92.59	92.66	92.51	92.92
June	92.40	92.46	92.34	92.73
Sept.	92.20	92.25	92.25	92.53
Dec.	92.00	—	—	92.32
March	91.81	—	—	92.11

Estimated volume 17,944 (5,495)
Previous day's open int. 26,574 (26,042)

U.S. TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
June	95-03	95-06	94-07	96-17
Sept.	94-01	—	—	95-15

Estimated Volume 12,647, (4,848)
Previous day's open int. 4,894, (4,743)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
June	94-22	95-12	94-00	95-23
Sept.	93-22	94-10	93-00	194.22
Dec.	92-23	93-12	92-05	93-24
Mar.	91-26	92-17	91-10	192.28
June	90-31	91-21	90-18	92-02
Sept.	90.06	90.16	90.05	91-09
Dec.	89.15	90.03	89.03	90-17
Mar.	88.25	88.28	88.25	89-26
Sep.	87.17	—	—	88-16
Dec.	86.31	—	—	87-29

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Close	High	Low	Prev.
June	94.01	94.11	93.95	94.16
Sept.	93.88	94.00	93.85	94.09
Dec.	93.77	93.90	93.74	94.00
Mar.	93.65	93.76	93.60	93.89
Dec	93.12	—	93.14	93.37

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Close	High	Low	Prev.
June	0.6681	0.6682	0.6616	0.6586
Sep.	0.6724	0.6726	0.6657	0.6628
Dec.	0.6767	0.6760	—	0.6671
Mar.	0.6820	0.6820	—	0.6715

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Close	High	Low	Prev.
June	0.6981	0.6983	0.6897	0.6855
Sept.	0.7031	0.7033	0.6942	0.6900
Dec.	0.7083	0.7065	0.6993	0.6947
Mar.	0.7135	0.7100	0.7040	0.6994
June	0.7180	0.7075	—	0.7041

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Close	High	Low	Prev.
June	0.5529	0.5530	0.5490	0.5465
Sept.	0.5567	0.5568	0.5528	0.5501
Dec.	0.5606	0.5597	0.5570	0.5539

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Close	High	Low	Prev.
June	93.03	93.08	92.94	93.13
Sept.	92.85	93.91	92.74	93.02
Dec.	92.71	92.78	92.62	92.91
Mar.	92.53	92.60	92.45	92.75
June	92.32	92.40	92.22	92.55
Sept.	92.10	92.18	92.02	92.33
Dec.	91.88	91.98	91.82	92.11
Mar.	91.67	91.78	91.63	91.90

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
June	295.00	300.05	291.80	300.30
Sept.	297.15	302.20	293.65	302.20
Dec.	298.75	303.65	296.10	304.20
Mar.	300.45	300.50	300.30	305.50

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6265	1.6220	1.6139	1.6048	1.5890

IMM—STERLING $s per £

	Latest	High	Low	Prev
June	1.6140	1.6195	1.6100	1.6100
Sept.	1.6040	1.6100	1.6000	1.6000
Dec.	1.5960	1.6010	1.5900	1.5910
Mar.	1.5880	1.6010	1.5825	1.5830

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
June	1.6160	1.6150	1.6149	1.6031
Sept.	1.6060	—	—	1.5926
Dec.	1.5975	—	—	1.5839

Estimated volume 7 (31)
Previous day's open int 224 (225)

MONEY MARKETS

London takes a detached view

INTEREST RATES were little changed in London last week, as the money market weighed up the impact of different factors. The trend in the US was towards higher rates in defence of the dollar and as a move to reduce consumption and cut the trade deficit.

But sterling can almost certainly hold its own against the dollar in the foreseeable future, and the UK authorities are likely to be more concerned with the pound's value against the D-Mark at present.

Last week this meant trying to keep sterling from rising above DM 2.95, at a time when financial markets were looking towards a possible cut in the West German discount rate.

UK clearing bank base lending rate 10 per cent since March 18-19

There was no hint from the Bundesbank of lower interest rates, when it supplied a securities repurchase agreement to the banking system at an unchanged rate of 3.80 per cent, and also cut money market liquidity at the tender.

Upward pressure on the D-Mark was also not the problem for the Bundesbank that the rise of the yen was for the Bank of Japan, but there were hints from West German officials that a cut in the discount rate was not out of the question.

These hints brought a reaction from Mr Helmut Schlesinger, Bundesbank vice president, that there was no reason to change monetary policy.

The trend was for higher US interest rates and a possible fall in West German and Japanese rates.

The underlying strength of sterling meant London could take a fairly detached view. Gilts and equities suffered from the weakness of US bonds and fears of a trade war, but the only impact on interest rates was to put off hopes of lower base rates.

FT LONDON INTERBANK FIXING

(11.00 a.m. April 10) 3 months U.S. dollars		6 months U.S. dollars	
bid 6 7/16	offer 6 9/16	bid 6 1/2	offer 6 5/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

BANK OF ENGLAND TREASURY BILL TENDER

	Apr. 10	Apr. 3		Apr. 10	Apr. 3
Bills on offer	£100m	£100m	Top accepted rate of discount	9.6063%	9.5261%
Total of applications	£306m	£372m	Average rate of discount	9.5661%	9.5195%
Total allocated	£100m	£100m	Average yield	9.80%	9.75%
Minimum accepted bid	£97.605	£97.625	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	64%	81%			

WEEKLY CHANGE IN WORLD INTEREST RATES

	Apr. 10	change		Apr. 10	change
LONDON			**NEW YORK**		
Base rates	10	Unch'd	Prime rates	7 1/4	Unch'd
7 day Interbank	10	+1/16	Federal Funds	6 1/8	+1/4
3-month Interbank	9 15/16	Unch'd	3 Mth. Treasury Bills	6.04	+0.43
Treasury Bill Tender	9.5661	+0.0466	6 Mth. Treasury Bills	6.23	+0.30
Band 1 Bills	9 7/8	Unch'd	3 Mth. C D	6.55	+0.27
Band 2 Bills	9 13/16	Unch'd	**FRANKFURT**		
Band 3 Bills	9 3/4	Unch'd	Lombard	5.0	Unch'd
Band 4 Bills	9 11/16	Unch'd	One mth. Interbank	3.80	−0.05
3 Mth. Treasury Bill	9 1/2	−1/8	Three month	3.825	−0.075
1 Mth. Bank Bills	9 13/16	+1/16	**PARIS**		
3 Mth. Bank Bills	9 11/16	+1/8	Intervention Rate	7 3/4	Unch'd
TOKYO			One mth. Interbank	7 7/8	−1/16
One month Bills	3.84375	−0.0625	Three month	7 7/8	−1/16
Three month Bills	3.96875	−0.0625	**MILAN**		
BRUSSELS			One month	10	−1/2
One month	7 1/4	−1/8	Three month	10 3/8	−1/4
Three month	7 1/4	−1/8	**DUBLIN**		
AMSTERDAM			One month	12 3/4	−1/4
One month	5 3/8	−1/16	Three month	12 1/2	−1/4
Three month	5 3/8	−1/16			

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

MONEY RATES

NEW YORK (4 pm)

		Treasury Bills and Bonds			
Prime rate	7 1/4	One month	5.70	Three year	7.21
Broker loan rate	7 1/2-7 3/4	Two month	5.71	Four year	7.44
Fed. funds	6 1/8	Three month	6.01	Five year	7.54
Fed funds at intervention	6 3/16	Six month	6.23	Seven year	7.78
		One year	6.51	10 year	7.96
		Two year	6.94	30 year	8.18

Apr. 10	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.65-3.75	3.75-3.85	3.75-3.85	3.75-3.90	3.80-3.95	5.0
Paris	7 11/16-7 13/16	7 11/16-7 13/16	7 11/16-7 13/16	7 11/16-7 13/16	7 11/16-7 13/16	7 3/4
Zurich	7/8-1 1/8	3 1/16-3 3/16	—	3 3/8-3 1/2	—	—
Amsterdam	5 1/4-5 1/2	5 3/8-5 1/2	—	5 3/8-5 1/2	—	—
Tokyo	3.53125	3.84375	—	3.96875	—	—
Milan	10 1/2-10 7/8	9 3/4-10 1/4	—	10 1/8-10 5/8	—	—
Brussels	8.20	7 1/16-7 3/16	—	7 1/16-7 3/16	—	—
Dublin	12 7/8-13 1/4	12 3/4-13	12 5/8-12 7/8	12 5/8-12 7/8	11 1/2-11 3/4	—

LONDON MONEY RATES

Apr. 10	Over-night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	10-2	10 1/16-9 15/16	10-9 7/8	10-9 7/8	9 15/16-9 13/16	9 3/4-9 5/8
Sterling CDs	—	—	9 15/16-9 13/16	9 15/16-9 3/4	9 13/16-9 11/16	9 5/8-9 1/2
Local Authority Deposits	9 1/2-9 3/4	9 7/8	9 7/8	9 7/8-9 3/4	9 3/4	9 5/8
Local Authority Bonds	—	—	10 1/16	10	9 3/4	9 13/16
Discount M'ket Deposits	10-2	9 7/8	9 7/8	9 7/8	—	—
Company Deposits	9 3/4-8	10	10 1/8-10	9 15/16	9 7/8	9 3/4
Finance House Deposits	—	—	10	10	9 3/4	9 3/4
Treasury Bills (Buy)	—	—	9 13/16	9 1/2	—	—
Bank Bills (Buy)	—	—	9 13/16	9 13/16	9 5/8	—
Fine Trade Bills (Buy)	—	—	10 1/2	10 1/8	9 13/16	—
Dollar CDs	—	—	6.60-6.50	6.80-6.75	7.10-7.05	7.10-7.00
SDR Linked Deposits	—	—	6 1/16-5 15/16	6 1/8-5 7/8	6 1/8-5 7/8	6 1/4-6
ECU Linked Deposits	—	—	6 13/16-6 11/16	6 13/16-6 11/16	7-6 7/8	7 1/16-6 15/16

Treasury Bills (sell); one-month 9 1/2 per cent; three-months 9 1/2 per cent; Bank Bills (sell): one-month 9 3/4 per cent; three months 9 5/8 per cent; Treasury Bills; Average tender rate of discount 9.5661 p.c. ECGD Fixed Finance Scheme IV reference date February 28 to March 31 (inclusive): 10.053 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 1/2 per cent from April 1, 1987: Bank Deposit Rates for sums at seven days' notice 5 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 8 per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-12 months 9 per cent; Under £100,000 8 per cent from March 18. Deposits held under Series 5 10 1/4 per cent. Deposits withdrawn for cash 5 per cent.

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